



## **The San Francisco Working Families Credit**

### Quantitative Evaluation of Year Two

Kevin Stange\*

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*Since its inception as an innovative local city/county supplement to the federal Earned Income Tax Credit, the San Francisco Working Families Credit has put nearly \$4.5 million in the hands of over 16,000 working families in San Francisco. This report provides a quantitative summary and evaluation of the WFC program that builds on earlier analysis of the first year of the program, but focuses on the second year. It provides a descriptive analysis of San Francisco's poor working families and identifies several opportunities for better addressing their financial needs.*

\* Department of Economics, University of California, Berkeley. [kstange@econ.berkeley.edu](mailto:kstange@econ.berkeley.edu).

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## Executive Summary

### **Applications and take-up**

- Applications grew by 13% in year two, with approximately two-thirds of first year applicants re-applying.
- There was wide variation in take-up rate across neighborhoods. This variation narrowed in year two, but significant take-up disparities still exist.

### **Who has taken advantage of the program?**

- The majority of applicants are Asian, though the fraction of applicants who are African American, Latino, or white rose in year two.
- Most applicants have no higher than a high school degree and the majority has income between \$10,000 and \$25,000.
- Applicants' families are typically small: few have more than two children.

### **How large is the credit and how do people plan to spend it?**

- Many applicants receive the maximum WFC and EITC amount.
- Most planned to spend it on household necessities such as food and rent.

### **What factors contribute to participation?**

- Tax preparers and word-of-mouth are the primary outreach channels.
- Tax preparers are distributed throughout San Francisco, though their concentration may create some differences in geographic accessibility by ethnicity.
- WFC and EITC amount was the primary correlate of repeat application.
- The WFC media campaign (billboards, fliers, etc) was particularly important for Latino and white applicants.

### **Do San Francisco's working families utilize other work supports?**

- 85% of applicants have health insurance for their children (despite the fact that only 70% are covered themselves) and this coverage rate has remained constant.
- Nearly half of applicants participate in Medi-Cal, one tenth participate in Food Stamps.
- Work support utilization has a clear relationship with income and varies somewhat with ethnicity.

### **Is the WFC associated with increased use of traditional financial services?**

- 87% of applicants have a checking account and nearly half have a savings account.
- The fraction of applicants who are unbanked dropped considerably from year one across all groups, even after controlling for several potentially confounding factors.
- Despite this, many applicants still utilize non-traditional financial resources, such as informal loans, check cashers, and payday loans.

### **Did the Working Families Credit increase EITC participation?**

- We find no evidence that the WFC campaign contributed to EITC take-up among San Francisco's working families.

### **Recommendations and Opportunities**

Based on these findings, the Working Families Credit Program should address several issues as it moves forward:

- |   |  |
|---|--|
| ⇒ Engage tax professionals to eliminate remaining take-up disparities | ⇒ Increase access and utilization of traditional financial services        |
| ⇒ Encourage further utilization of other work supports                | ⇒ Tailor and target outreach strategies                                    |
| ⇒ Facilitate asset accumulation and debt reduction                    | ⇒ Take advantage of unique data to better understand needs of working poor |

## Introduction and Background

The San Francisco Working Families Credit was conceived in 2003 as an innovative local city/county supplement to the federal Earned Income Tax Credit. The program was funded by private and public sources and went into effect in January 2005 as individuals began to file their taxes for the 2004 tax year. Any taxpayer that lived in San Francisco, had at least one dependent, and received the federal Earned Income Tax Credit was eligible to receive the Working Families Credit. For background on the development of the program and its implementation in the first year, see “Delivering a Local EITC: Lessons from the San Francisco Working Families Credit” by Tim Flacke and Tiana Wertheim, available at [http://www.brookings.edu/metro/pubs/20060516\\_SFWorks.htm](http://www.brookings.edu/metro/pubs/20060516_SFWorks.htm).

This current report provides a quantitative summary and evaluation of the WFC program that builds on earlier analysis of the first year of the program, but focuses on the second year. Daniel Schneider and Peter Tufano of Harvard Business School performed the quantitative evaluation of the first year of the program. Their report, “The San Francisco Working Families Credit: Analysis of Program Applicants,” is available at <http://www.sfworks.org/docs/WFCReport.pdf>

### A note about timing

Throughout this report I make reference to the first and second years of the Working Families Credit program. The second year of the program refers to applications received from January 1, 2006 to April 15, 2006. Since year two eligibility for the WFC is based on information contained in the 2005 tax return, I refer to year two as the “2005 Tax Year”. Similarly, I refer to the first year of the program as the “2004 Tax Year.” These definitions are summarized in Table 1. One thing to keep in mind is that the optional surveys are completed at the time of application, so survey information may lag the analogous information contained in the tax return by up to four months.

**TABLE 1:  
Timing of Working Families Credit Program**

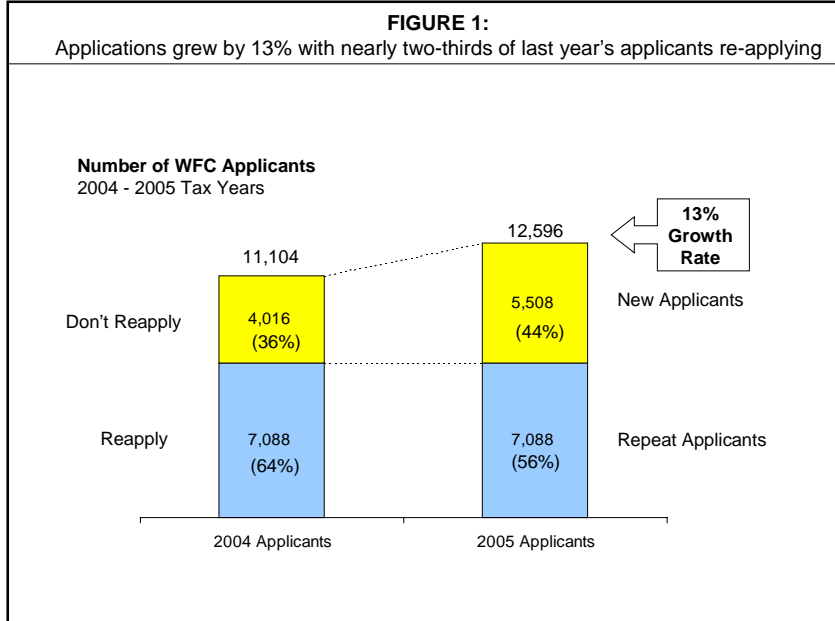
Program Year	Tax year	Applications Postmarked	WFC checks sent
One	Jan 1, 2004 – Dec 31, 2004	Jan 1, 2005 – April 15, 2005	September 2005
Two	Jan 1, 2005 – Dec 31, 2005	Jan 1, 2006 – April 17, 2006	September 2006

## Applications and Take-up

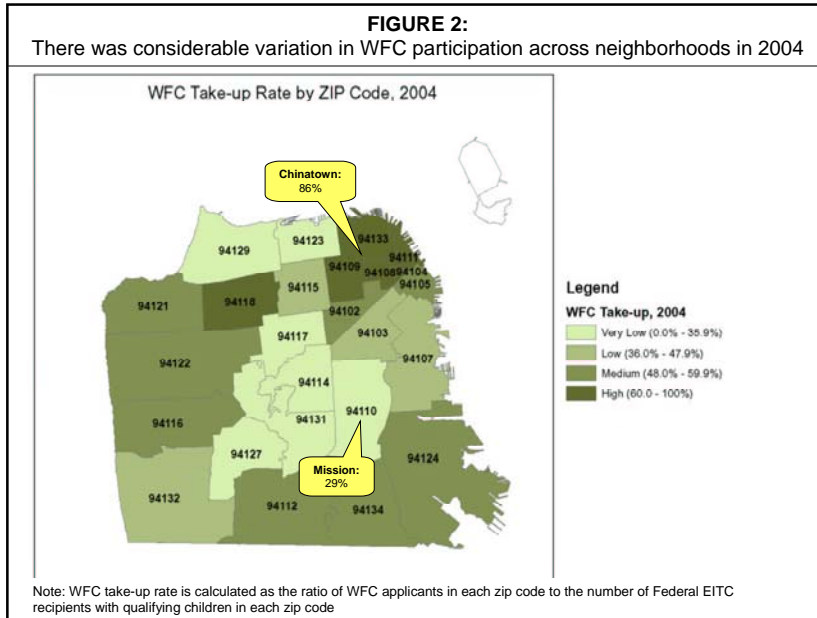
The number of families applying to the Working Families Credit Program increased from eleven thousand in year one to more than twelve and a half thousand in year two, a growth rate of 13%. Nearly two thirds of first year applicants re-applied and 5,500 new families applied in year two.

As shown in Figure 2, in the first year there was wide variation in Working Family Credit participation across neighborhoods. For instance, 86% of eligible families in Chinatown (zip 94108) applied to the Working Families Credit, but less than thirty percent of those in the Mission

District (zip 94110) did. The WFC take-up rate is calculated as the number of WFC applicants in a given zip code divided by the number of EITC claimants with children in the same zip code.<sup>1</sup> As judged by take-up rate, the WFC campaign appears to have been most successful



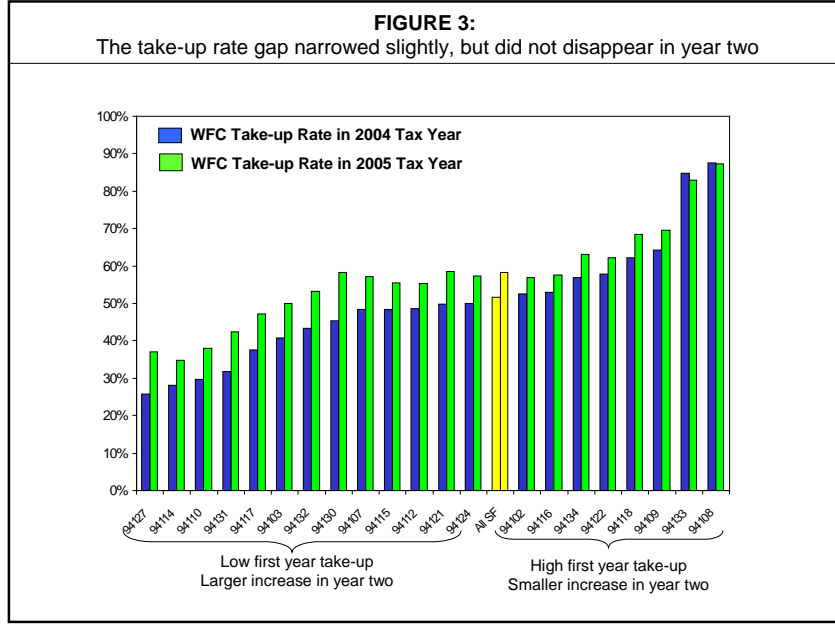
in neighborhoods in the northeast corner of the city (dark green), and less successful in central city neighborhoods such as the Mission and Haight (light green). Possible explanations for this variation in take-up are explored in the sections that follow.



Encouragingly, in year two the take-up rate gap appears to have narrowed. Those neighborhoods with the greatest year-over-year gains in WFC applicants

<sup>1</sup> This analysis uses all families who claim the EITC as the eligible pool for the Working Families Credit. Ideally we would use the number of all EITC-eligible families in San Francisco, but this number is not known. In the first year evaluation by Schneider and Tufano, they attempted to estimate this number using data from the 2000 Census and the American Community Survey.

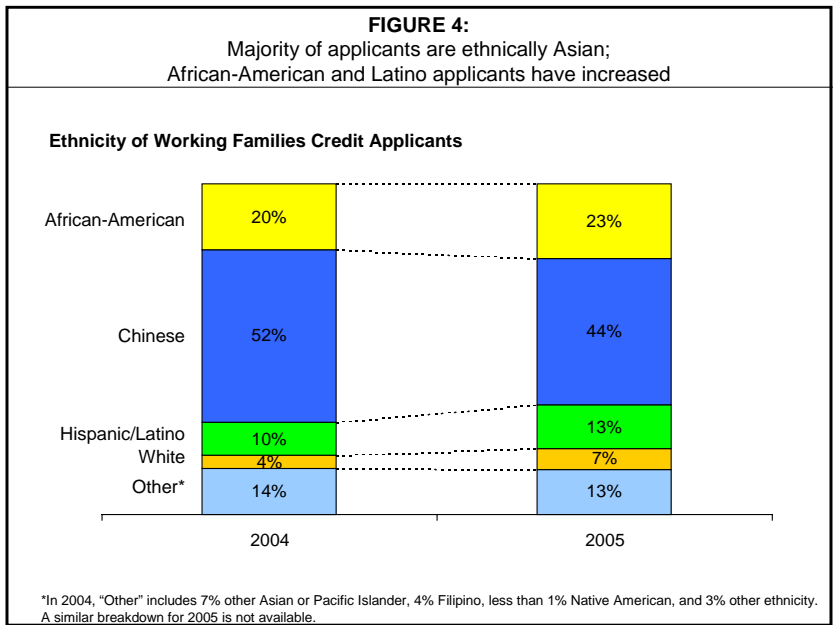
were the very same neighborhoods that experienced low take-up in the first year. For instance, the Mission (zip 94110) and Glenn Park (zip 94131) saw the largest percentage increase in applications following very low take-up in the first year. Figure 3 plots both the WFC take-up rate in 2004 and the growth rate of WFC applications between 2004 and 2005 by zip code. Zip codes are ordered from left to right in order of increasing WFC



take-up rate. Zip codes with low first year take-up generally had higher-than-average application growth from 2004 to 2005. This negative correlation between first year take-up and second year growth rate suggests that gaps in take-up across neighborhoods narrowed in the second year of the program. Tables A1 and A2 in the section “Additional Analysis” provide the raw application and EITC claims data underlying Figures 2 and 3.

**Who takes advantage of the Working Families Credit Program?**

To get a better understanding of the characteristics of participants in the Working Families Credit program, applicants were asked to complete a one-page optional survey. More than 5,500 applicants (50% of the total) chose to complete the survey for tax year 2004, while 3,100 applicants (25% of the total) chose to do so in 2005. The survey provides information to complement the information available from the application forms;

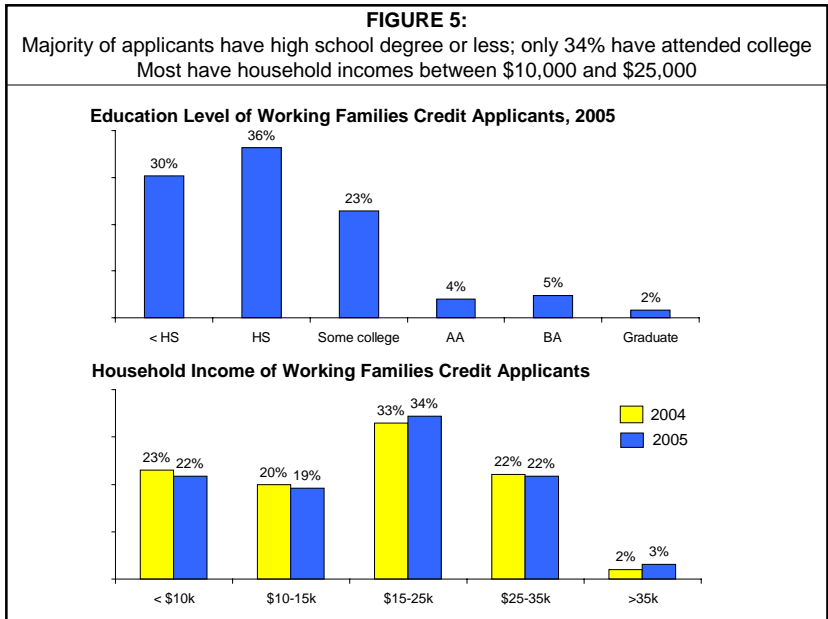


including demographics, finances, and WFC program experience and expectations of applicants. The results of this survey are summarized in this and the next three sections.

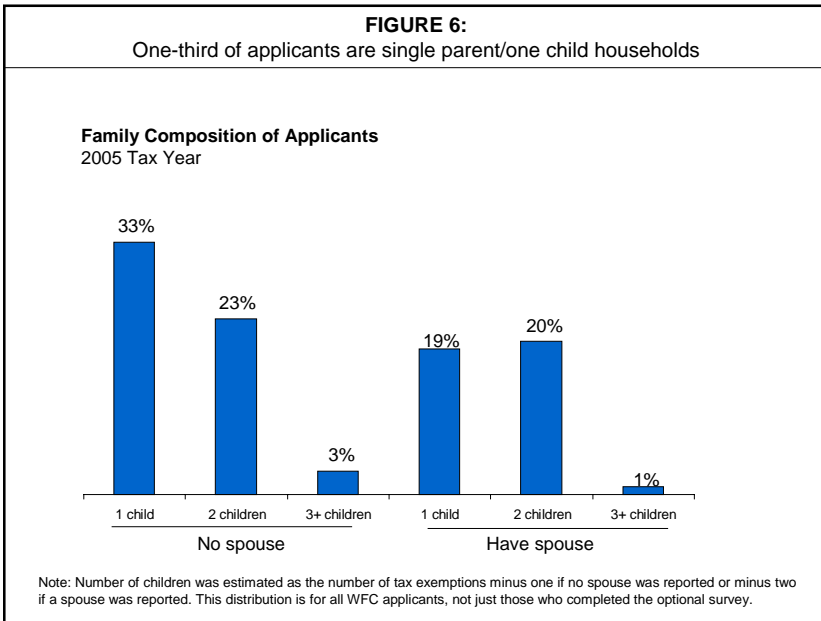
Methodological details of the survey, including procedures used to account for non-response, are described in the Appendix. Unless otherwise noted, all survey analysis use weights (as described in the Appendix) to account for differential survey response across groups.

Working Families Credit applicants were ethnically diverse – reflecting the diversity of San Francisco’s working poor. Chinese applicants were the single largest ethnic group, accounting for forty-four percent of all applicants in year two. African-Americans accounted for nearly one quarter of applicants and Latinos were thirteen percent of the total. Compared with the first year of the program, the fraction of applicants who were African American, Latino, or White rose in year two.

The majority of applicants have not attended college and 30% have not yet earned a high school diploma. These low education levels may account for the low incomes of applicants: the majority of Working Families Credit families have household incomes between \$10,000 and \$25,000. The income distribution of applicants has not changed considerably from the first to second years.



Applicants’ families are typically small. The majority are headed by single parents and few have more than 2 children. As shown in Figure 6, the most frequent applicant household consisted of one child and no spouse reported on their application.

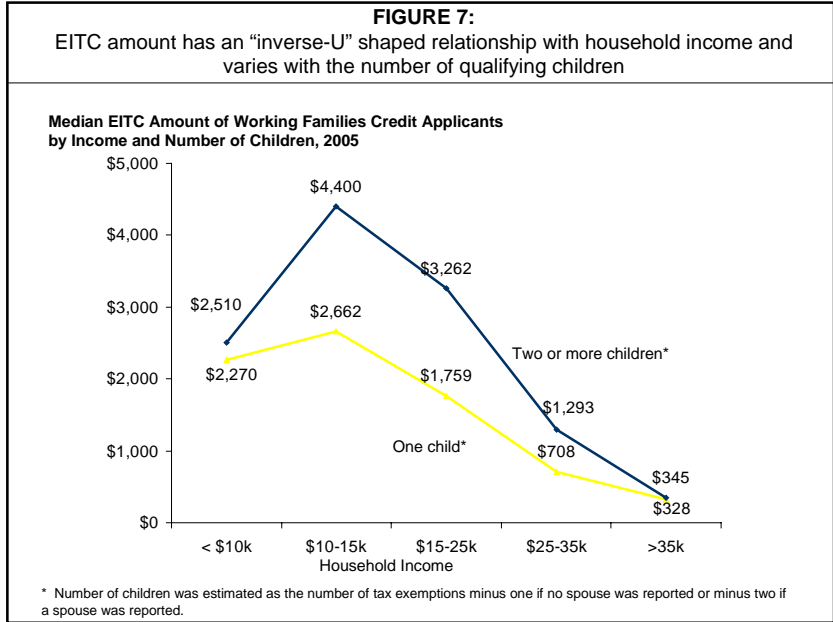


In their evaluation of the first year of the WFC, Schneider and Tufano compare the characteristics of WFC applicants with those of poor San Franciscans in the 2000 Census and 2004 American Community Survey. They conclude that Asian Americans and Hispanics appear to claim the WFC at higher rates than do Whites or African Americans. In addition, the income distribution of WFC applicants appears similar to the income distribution of WFC-eligible households,

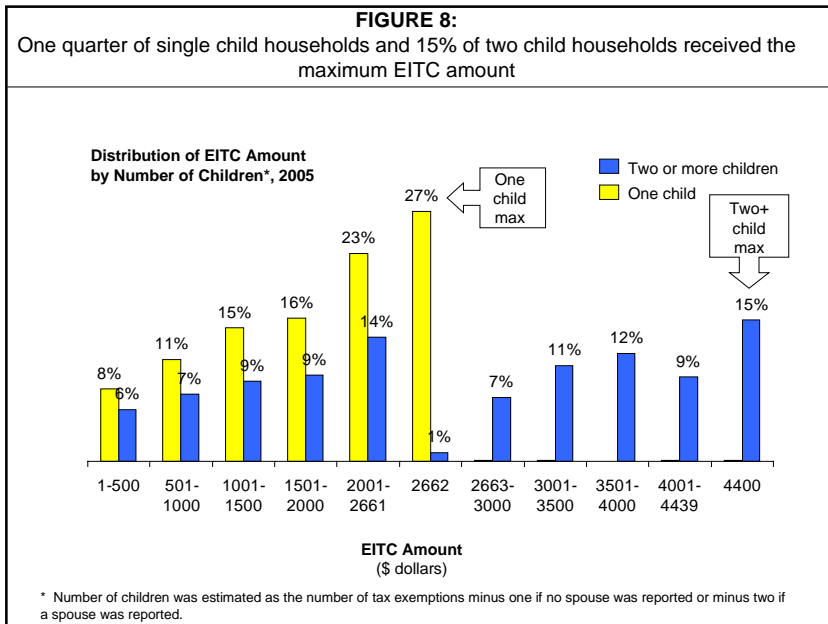
suggesting that income does not appear to be a large factor in take-up among those who are eligible for the program.

**How large will the credit be and how do applicants plan to spend it?**

The size of the Working Families Credit was a fixed proportion of the federal EITC amount in the first two years. The federal EITC is designed to have an “inverse-U” shaped relationship with household income in order to provide incentives for low-income households to work. The EITC amount initially increases with household income (the credit is zero if household earnings are zero), reaches a maximum in the \$10,000-\$15,000 income range, then declines thereafter. We see this



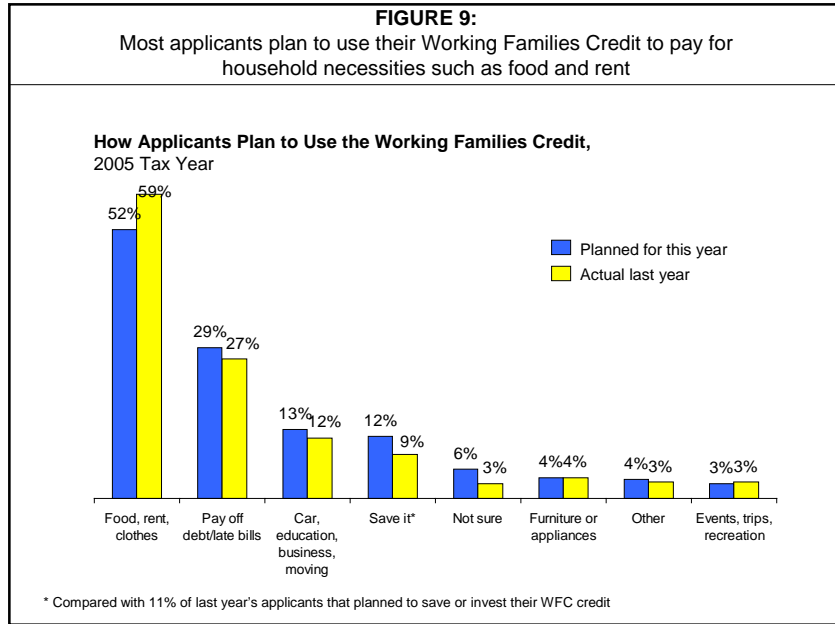
design born out in San Francisco: Figure 7 plots the median EITC amount received by WFC applicants by income and by number of children.



During the 2005 tax year, the maximum EITC amount that a family could receive was \$2,662 or \$4,400 for families with one or more children, respectively.

As shown in Figure 8, many WFC families received the maximum amount. In year two, one quarter of single child families and fifteen percent of multiple child families received the maximum EITC amount.

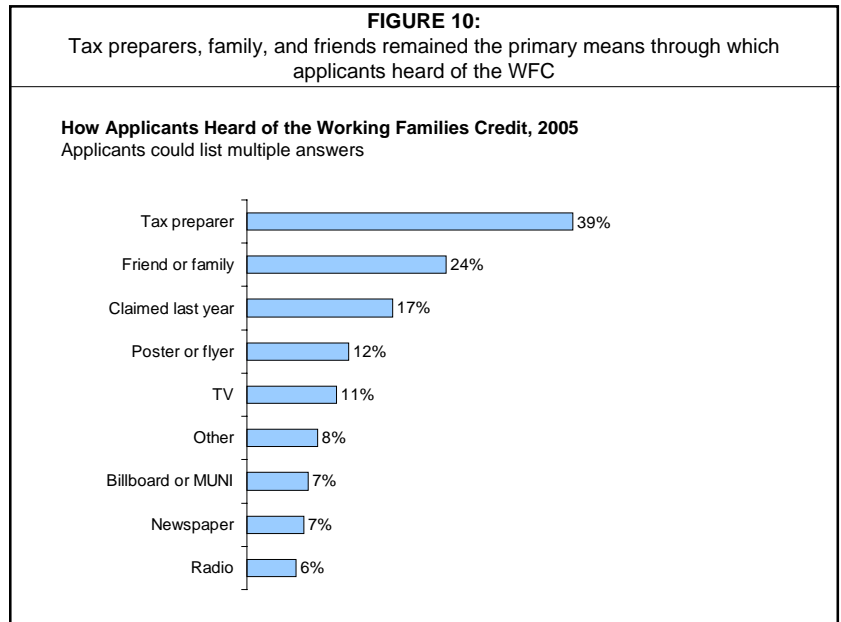
Applicants overwhelmingly planned to use their WFC for household necessities such as food, rent and clothing or to pay off debt or bills, as shown in Figure 9. Fewer applicants, but still more than ten percent, planned to use their credit to address longer-term goals such as purchasing a car, investing in education, or contributing to savings. Among those applicants that received the WFC in the first year, they spent last years' credit in much the same way as they expected to spend this years'.



**What factors contribute to WFC participation?**

In both years of the program, tax preparers and word-of-mouth were the primary channels through which applicants heard of the program. In 2005, nearly forty percent of applicants heard of the WFC program from their tax preparer and another quarter heard about it from their family or friends. Among the deliberate marketing channels, posters or fliers and television were the most frequently cited by program applicants. This distribution is broadly similar to that from the first year.

Since tax preparers were the primary outreach channel, it is natural to ask what type of tax preparer applicants used. In both years of the program, the majority of applicants used paid tax preparers to file their federal taxes. In 2005, large tax preparers (primarily H&R Block) accounted for nearly thirty percent of applicants, while other, smaller paid tax preparers accounted for thirty-eight percent. The use of Free tax sites and self, family, and friends increased in year two, accounting for 13% and 15%, respectively. (Figure 11)

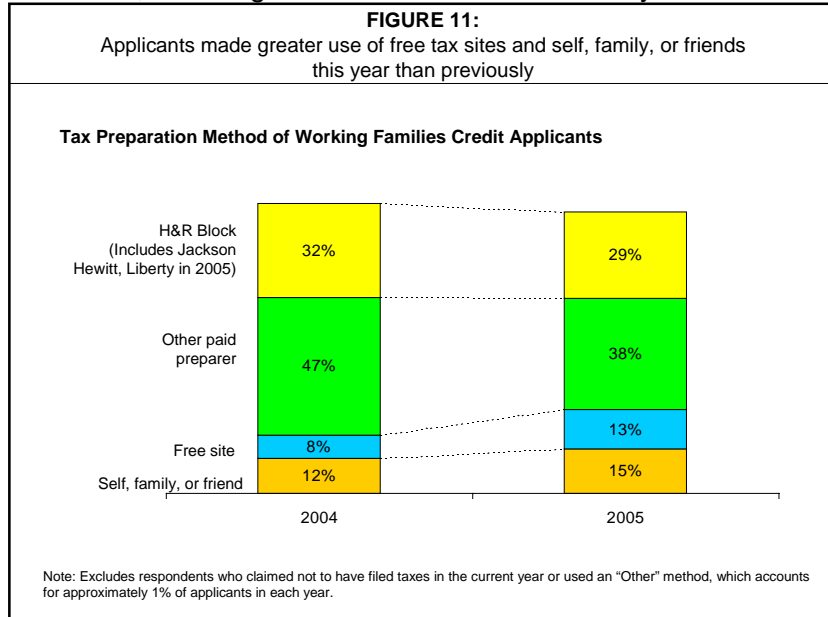


Figures A1 through A4 in the section “Additional Analysis” at the end of this report show how tax preparation method, outreach channel, and neighborhood differs with ethnicity.

**African-American applicants** were more likely to hear about the program from their tax preparer and almost 70% had their taxes prepared by H&R Block. African American applicants were also more likely to reside in Bayview/Hunters Point, Western Addition, and Potrero Hill.

**Chinese applicants**, by contrast, overwhelmingly used small paid tax preparers, rarely utilizing the services of H&R Block. Chinese applicants disproportionately cited family and friends, experience with

the program last year, and television as their source for information about the program. **Latino applicants**, largely concentrated in the Mission, Excelsior, and Ingleside, were particularly affected by the marketing campaign, hearing about the program from posters, fliers, billboards, and MUNI advertisements. They also were more likely to utilize free tax sites than other ethnic groups. **White applicants** were spread throughout the city and also heard about the program through the marketing campaign, but were much more likely to prepare their taxes themselves or with family/friends than other ethnic groups.



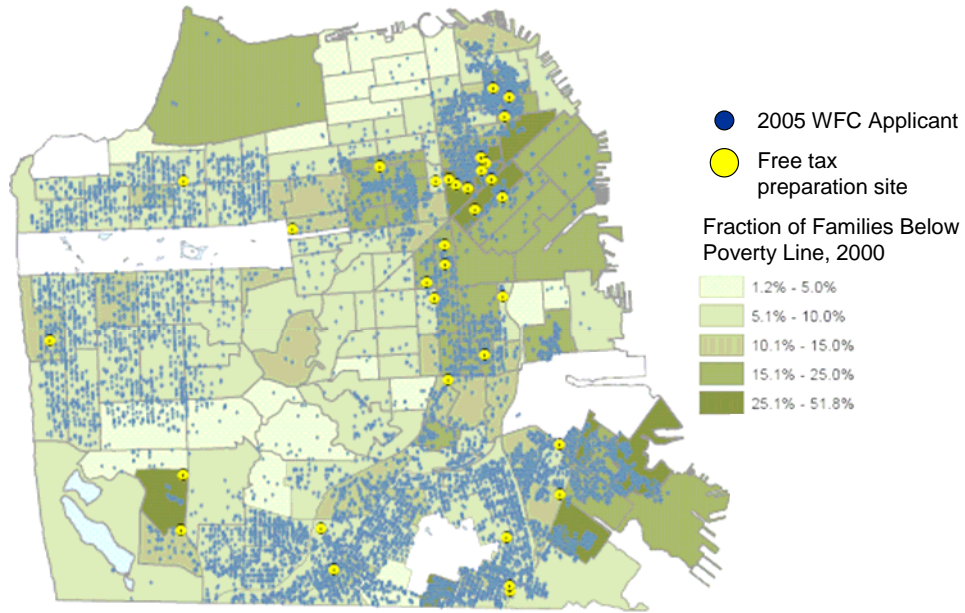
### Distribution of San Francisco Tax Preparers

Given their importance to WFC outreach, access to different types of tax preparers could help explain the wide variation in WFC participation across neighborhoods.

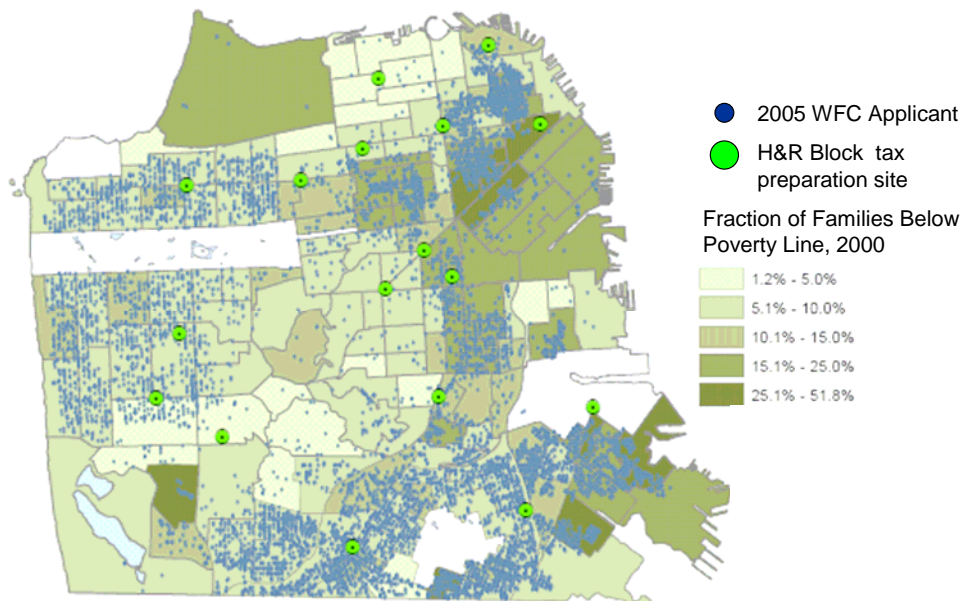
Figures 12A-C map the location of all Free, H&R Block, and other e-file provider tax sites in San Francisco during the 2005 tax season, along with the location of each WFC applicant and neighborhood poverty rates (from 2000 Census). Several features stand out. As expected, applicants are most concentrated in neighborhoods with high poverty rates, but are spread throughout the city.

Second, tax services differ in their geographic dispersion. The city’s 33 free tax preparation sites (yellow in Figure 12A) are concentrated in the mid-Market corridor, with only a few locations in outlying neighborhoods. H&R Block’s sixteen offices, by contrast, are spread much more evenly across the city (green in Figure 12B). Most San Francisco neighborhoods have one or two H&R Block offices. Due to their sheer number (677), other private tax preparers that offer e-filing are also spread throughout the city (blue in Figure 12C). However, these preparers are particularly concentrated downtown.

**FIGURE 12A:**  
Location of Free Tax Preparation Sites



**FIGURE 12B:**  
Location of H&R Block Tax Preparation Sites



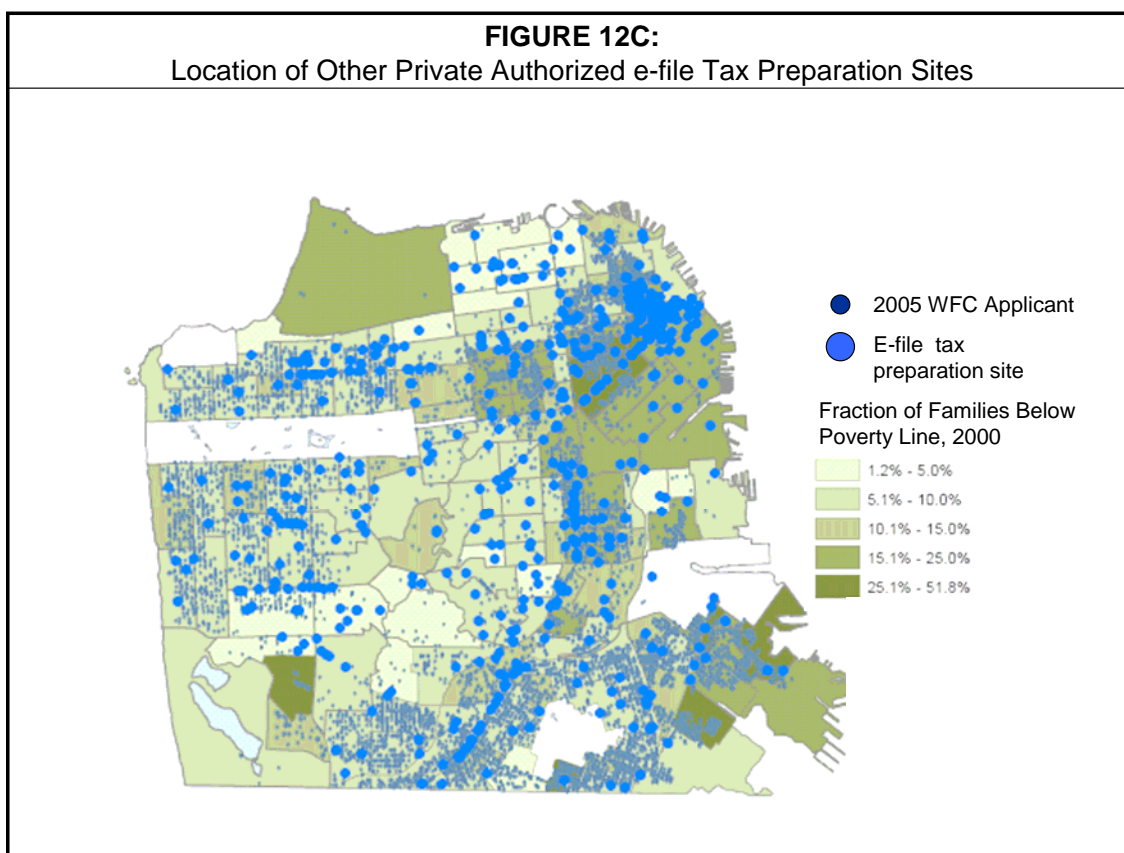


Table 2 provides several measures of geographic proximity to tax preparers by ethnicity. For each tax preparer type, the table presents the median and mean distance to the nearest site, as well as the median and mean number of sites within one mile of WFC applicants. Though some differences exist, most applicants live fairly close to all three types of tax preparers. The typical (median) applicant lives within two-tenths of a mile of an e-file provider, a half-mile of a free tax site, and three-quarters of a mile of an H&R Block site. African Americans live the furthest from all types of tax preparation sites along all measures.

Panel B of Table 2 provides measures of tax preparer concentration – the number of tax preparers located within one mile of WFC applicants. Concentration of free tax sites and H&R Block offices is nearly identical for all ethnic groups, but considerable variation exists for e-file providers. The typical African-American applicant has fewer than half as many e-file providers within one mile as do Chinese, Latino, and White applicants. Furthermore, the distribution is very skewed. Some Chinese applicants – those living in and near Chinatown – live near an incredible number of e-file providers, causing the mean to be much greater than the median.

This analysis suggests that the geographic dispersion of tax preparation services alone cannot explain the large variation in WFC take-up between neighborhoods. For instance, the Mission district had a very low WFC participation rate in the first year despite having numerous e-file providers and a central location which is close to several free and H&R Block tax offices.

**TABLE 2**  
**Geographic Accessibility of Various Tax Preparation Services**  
**to Working Family Credit Applicants, by Ethnicity**

Panel A: Minimum distance to Nearest Tax Preparer (miles)

	E-file Provider		Free Preparer		H&R Block	
	Median	Mean	Median	Mean	Median	Mean
African-American	0.18	0.26	0.56	0.62	0.76	0.82
Chinese	0.12	0.14	0.48	0.53	0.56	0.64
Hispanic/latino	0.11	0.15	0.39	0.47	0.76	0.78
Caucasian/White	0.13	0.20	0.56	0.62	0.75	0.80
Other	0.14	0.17	0.52	0.55	0.75	0.77

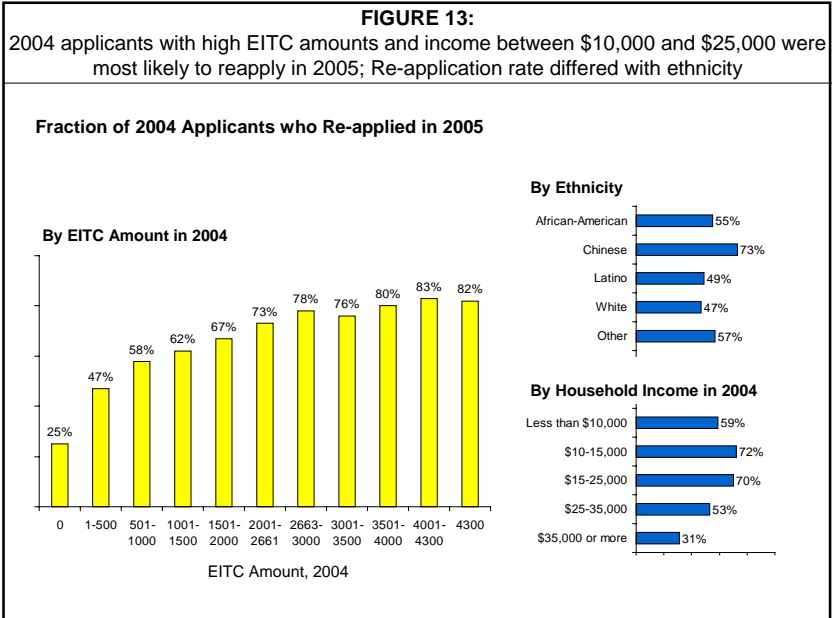
Panel B: Number of Tax Preparers Within One Mile Radius

	E-file Provider		Free Preparer		H&R Block	
	Median	Mean	Median	Mean	Median	Mean
African-American	16	31.1	2	3.0	1	1.1
Chinese	34	77.7	2	3.2	1	1.3
Hispanic/latino	42	51.1	2	3.5	1	1.0
Caucasian/White	36	55.0	2	3.2	1	1.1
Other	29	55.0	2	3.6	1	1.0

Notes: "E-file providers" refers to all IRS-recognized electronic return filers. The analysis includes 677 e-file providers, 33 free tax preparation sites, and 16 H&R Block locations in San Francisco.

### Factors Influencing Repeat Participation

Reapplication is another factor that influences who benefits from the Working Families Credit. As mentioned earlier, nearly two-thirds of first year applicants re-applied in the second year. To encourage reapplication, in the second year the City mailed applications directly to all first year applicants. It appears that WFC/EITC amount and ethnicity are the strongest independent determinants of reapplication.<sup>2</sup>



<sup>2</sup> Since the WFC amount was a fixed percentage of the federal EITC amount in the first two years of the program, the effects of WFC and EITC amount on reapplication cannot be separated from each other.

Figure 13 shows the repeat rate for first year applicants by EITC amount, ethnicity, and household income. Reapplication rate exceeds 80% for applicants with the highest EITC amounts. Unsurprisingly, applicants with zero EITC in 2004, who were ineligible for and thus did not receive the WFC in 2004, were much less likely to apply for the WFC program in 2005.

Income differences are not responsible for the observed relationship between WFC/EITC amount and reapplication rate. Applicants with the highest and lowest incomes, who both have low WFC/EITC amounts, were less likely to re-apply for the program than those with incomes in the middle. This suggests that some 2004 applicants may not have reapplied in 2005 because their earnings were too great to qualify them for the 2005 program, while others may not have reapplied because they did not have earned income.

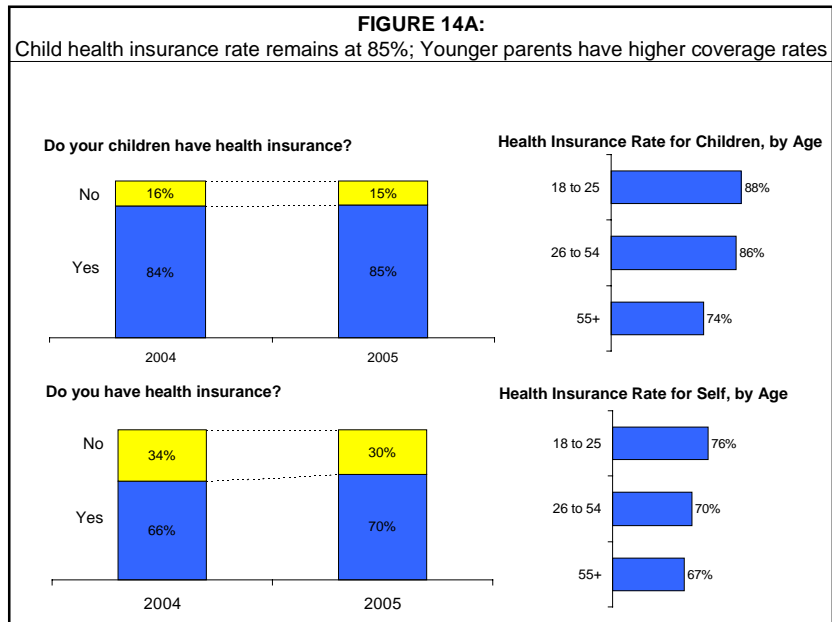
Substantial differences in reapplication rates also exist by ethnicity. Chinese applicants were much more likely to re-apply in 2005, than other ethnicities. Fewer than half of 2004 Latino and White applicants reapplied in 2005. Table A3 in the section “Additional Analysis” at the end of this paper examines the effect of various factors on reapplication, controlling for several factors simultaneously using regression analysis. The results are qualitatively similar to those shown in Figure 13 – even after controlling for numerous factors simultaneously, WFC/EITC amount and ethnicity are the strongest determinants of reapplication.

**Do San Francisco’s Working Families Utilize Other Work Supports?**

Moving forward, one of the goals of the Working Families Credit campaign will be to increase utilization of other work supports – such as health insurance and public food assistance – among San Francisco’s low-income families.<sup>3</sup>

**Health Insurance**

In year two, approximately fifteen percent of applicants reported not having health insurance coverage for their children and thirty percent reported that they are not covered themselves. These shares did not change appreciably between years one and two of the program. Younger parents are slightly more likely to have health insurance coverage than older parents. As younger parents are more likely to have younger children, this suggests that public health insurance programs – which are more generous for younger children – do help close the coverage gap.



<sup>3</sup> It should be noted that the analysis that follows is at a point in time – we are not able to distinguish between respondents who never had health insurance and those that did, but lost it through unemployment or a job change.

Discouragingly, health insurance coverage did not increase among the 1,104 WFC applicants that applied and filled out surveys in both years. This is a particularly interesting group to track because their trends are not affected by compositional shifts in survey responses. The fraction of families without child health insurance remained about 15 percent and the fraction of respondents who lacked insurance for themselves remained at about 30 percent.

**Public Work Supports**

Figure 15 presents the fraction of WFC applicants that were participating in three different programs administered by the San Francisco Human Services Agency in December 2005. Nearly half of WFC applicants participated in Medi-Cal, while participation in the other programs was much more rare. Only ten percent of WFC families participated in Non-Assisted Food Stamps and even fewer were enrolled in CalWorks, California’s TANF program.

For many WFC recipients, non-participation may reflect ineligibility – our data does not enable us to conclusively determine the number eligible for each program. However, for others, it may reflect barriers to participation. Differences in participation rates across ethnicities rather than income and household size are particularly important from a policy perspective because they may reflect barriers to participation that vary by ethnicity.

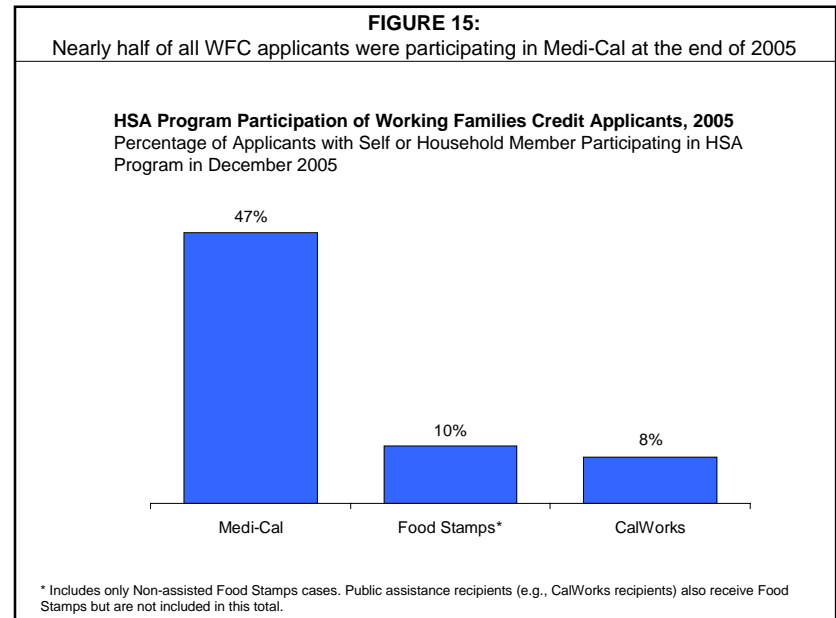
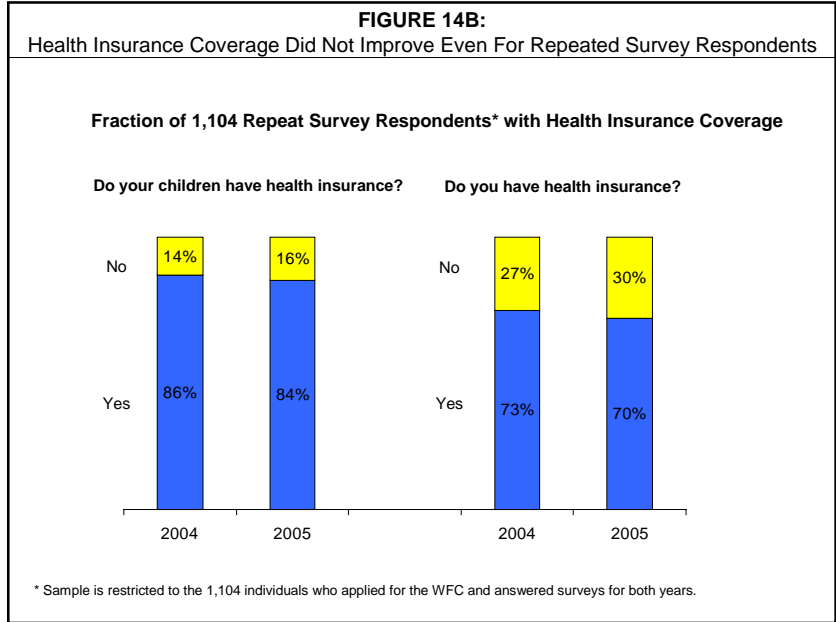
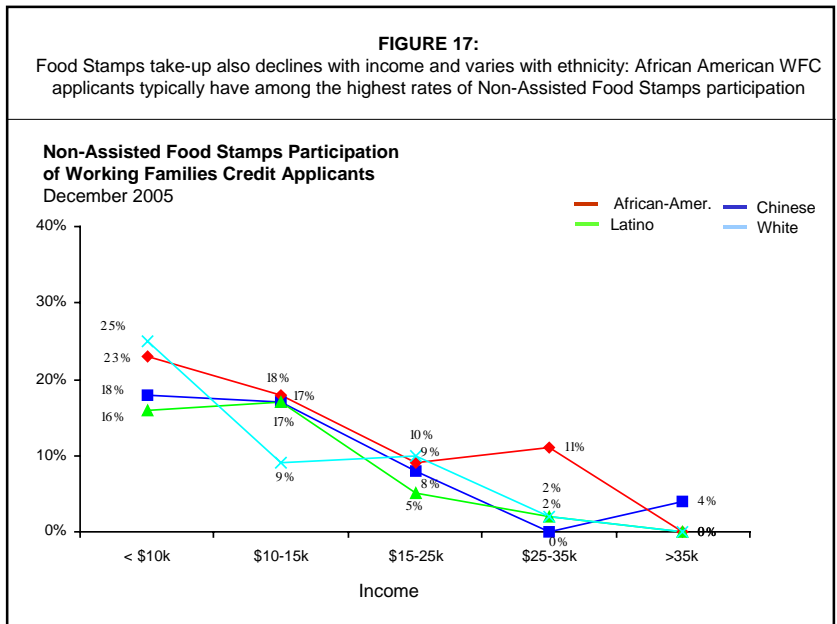
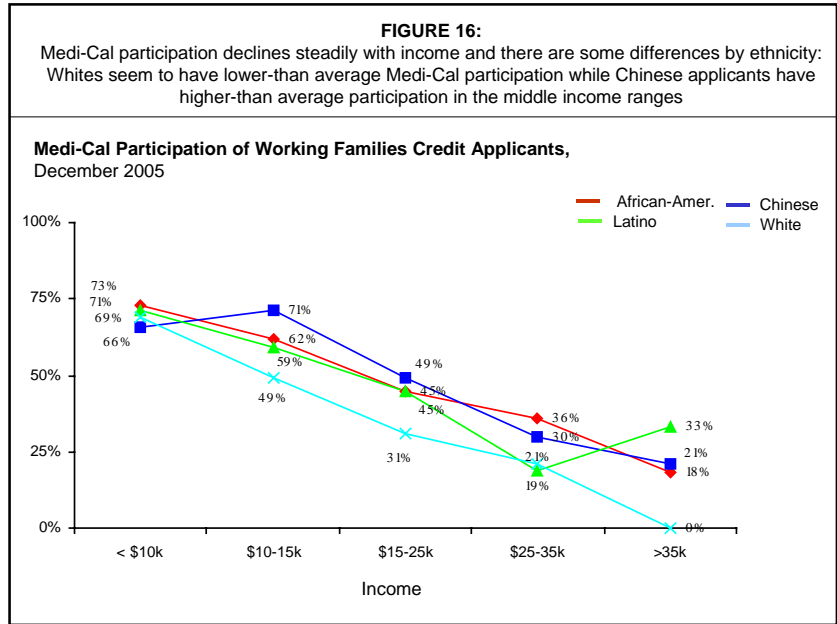


Figure 16 shows that Medi-Cal participation declines steadily with self-reported household income and that there are some differences by ethnicity. For instance, Whites have low Medi-Cal participation rates at all income levels and Chinese applicants have high participation rates at the middle-income ranges.

Figure 17 shows a similar graph for Non-Assisted Food Stamps. Participants in CalWorks are automatically enrolled in Food Stamps and are excluded from this analysis. Even at the lowest income level, no more than one quarter of WFC applicants are receiving Non Assisted Food Stamps. The participation rate declines with income, likely due to declining eligibility with income. It is believed the lower benefit levels among higher income families also contribute to the negative relationship between income and Food Stamps participation. No clear pattern exists by ethnicity, but African American WFC applicants typically have among the highest rates of Food Stamps participation at all income levels.



**Is the Working Families Credit associated with increased bank usage?**

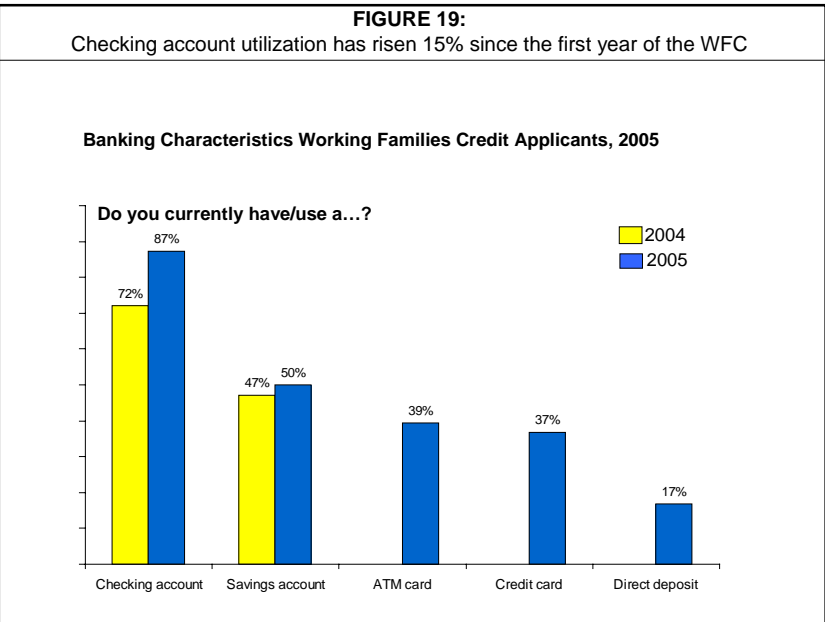
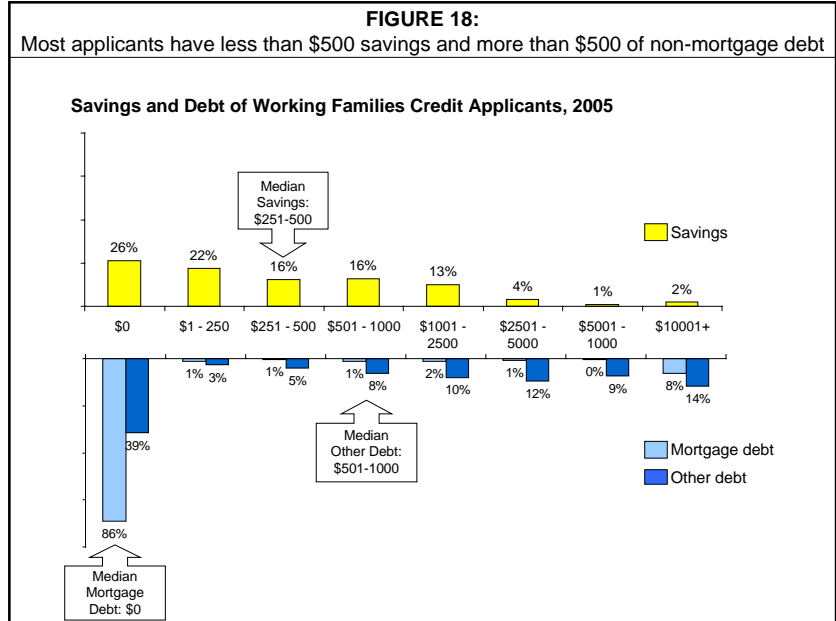
A second goal of the WFC program and campaign moving forward is to increase the financial stability of low-income families in San Francisco. Data on bank utilization from the WFC pilot helps establish a benchmark from which to assess changes in banking and financial behavior over time.

Figure 18 summarizes the financial health of applicants. In 2005, most applicants had less than \$500 in savings and more than \$500 of non-mortgage debt. In fact, more than one quarter had no savings whatsoever. Very few applicants had mortgage debt, reflecting the low rate of homeownership in San Francisco.

87% of WFC applicants had a checking account and nearly half had a savings account. This marks a considerable increase – fifteen percentage points – from the first year of the program. The number of applicants with a savings account increased only slightly, up to fifty percent.

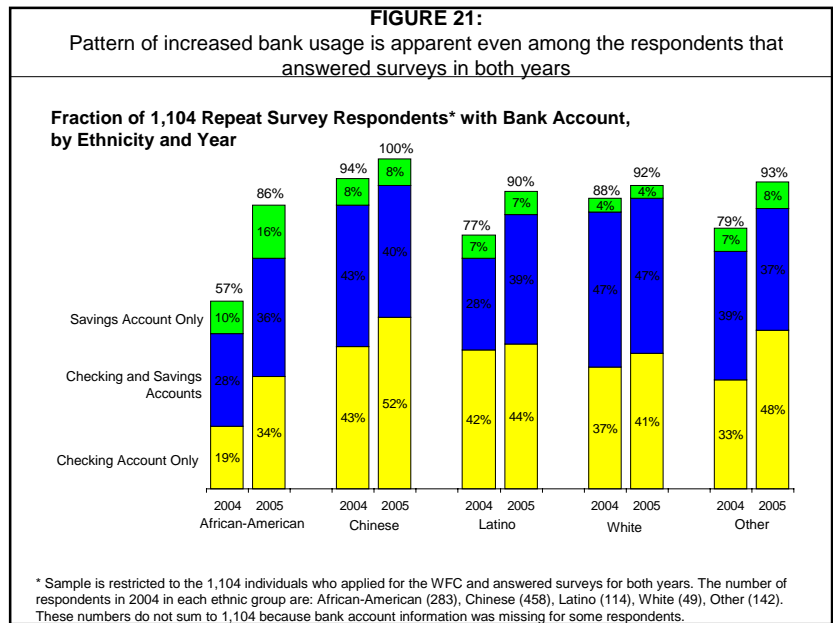
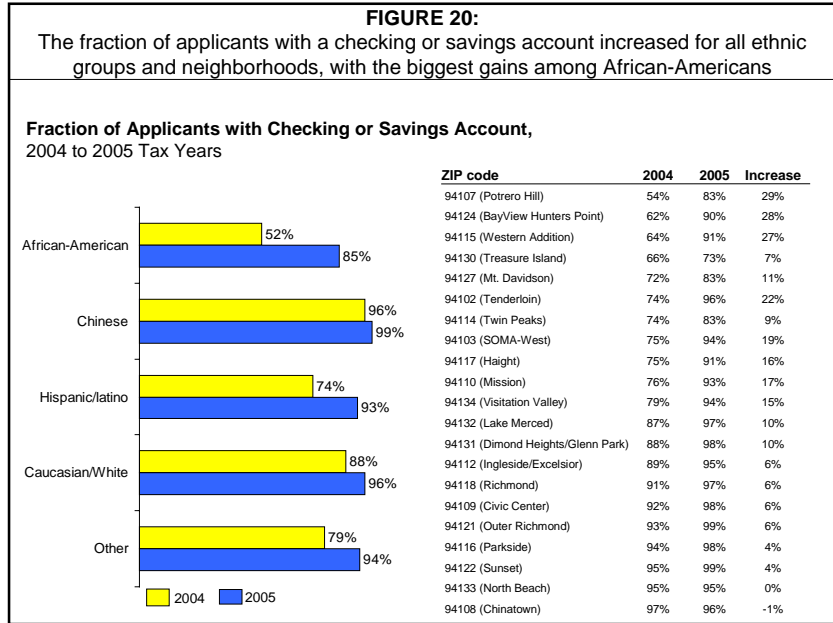
In fact, the fraction of applicants who were unbanked dropped considerably from year one to year two across different ethnic, racial, and geographic groups and even after controlling for several potentially confounding factors.

Figure 20 shows the fraction of applicants with a checking or savings account by ethnicity and zip code. African-Americans increased their bank utilization by more than 30 percentage points overall and the fraction unbanked dropped by more than twenty percentage points in Potrero Hill, the Bayview, Western Addition, and the Tenderloin. Table A4 in the Additional Analysis section reports results from regression analysis of the change in checking account utilization between 2004



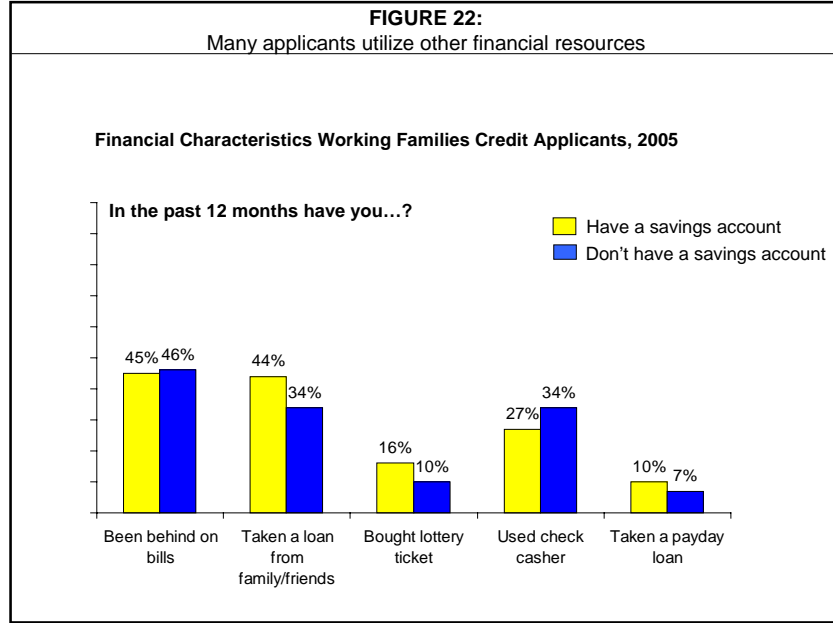
and 2005. The increase in bank utilization remains significant even after controlling for ethnicity, income, and supervisor district simultaneously.

Though the preceding analysis controls for several important explanatory factors in bank usage, we may worry that the increased bank usage we observe is driven partly by changes in the composition of respondents. Figure 21 addresses this issue by looking exclusively at the 1,100 applicants who applied for the WFC and completed surveys in both years. Any trends observed in this group do not suffer from composition bias because the same individuals are tracked over time. Even among these applicants, the patterns are similar to the overall trend. Tremendous gains in banking behavior were made among African-Americans, due to increased checking and savings account utilization.



As shown in Figure 19, the use of other mainstream financial instruments was much lower than the use of bank accounts – fewer than forty percent had ATM or credit cards and fewer than twenty percent had direct deposit

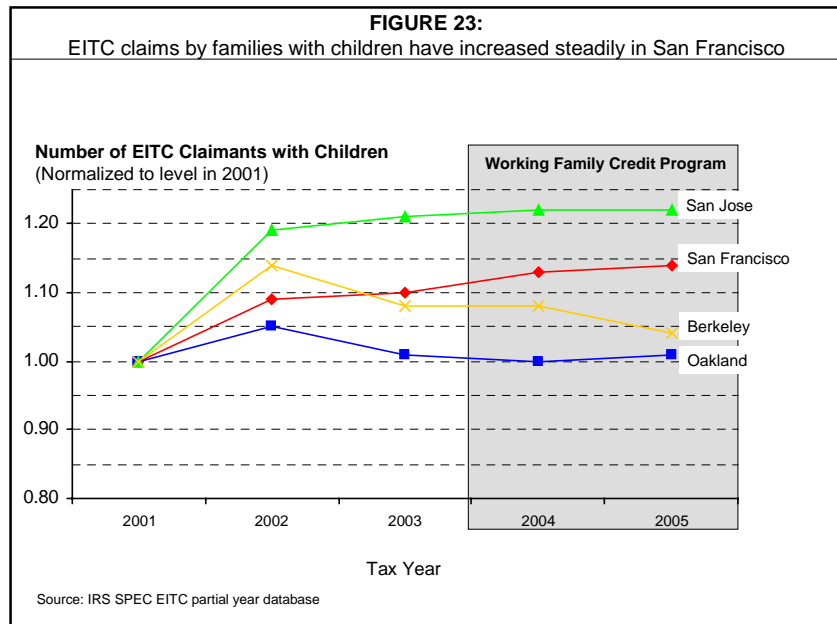
Despite this improved banking behavior, many applicants still utilized non-traditional financial resources, such as informal loans, check cashers, and payday loans. On average, 29% of applicants used a check casher and 9% took a payday loan in the previous 12 months. As shown in Figure 22, these behaviors are not confined to the unbanked: applicants tended to combine both traditional and non-traditional banking services.



**Did the Working Families Credit increase EITC participation?**

A major goal of the Working Families Credit was to provide incentives for more low income San Franciscans to file their taxes and claim the Federal EITC. As discussed in Schneider and Tufano (2006), quantifying the impact of the WFC on EITC take-up is difficult because the number of EITC-eligible San Francisco residents cannot be easily estimated from available sources. This section takes two simple approaches to testing whether the WFC is related to EITC take-up.

First, I compare trends in the number of EITC-claiming families in San Francisco with those from neighboring cities. If the WFC campaign increased EITC take-up, then we should see the number of families claiming the EITC in San Francisco rise relative to peer cities after the campaign was launched. Figure 23 plots the number of EITC claimants with children for San Francisco and three neighboring cities for tax years 2001 to 2005,



normalized to their value in 2001. The number of families claiming the EITC has steadily increased in San Francisco since the program was enacted during the 2004 tax year. Furthermore, the trend is slightly more positive than trends in San Jose, Oakland, and Berkeley during the same time period. However, Berkeley and Oakland were trending down even prior to the WFC campaign, suggesting that they may not be valid cities to compare with San Francisco. Using a similar methodology, Schneider and Tufano (2006) found no evidence to suggest that the WFC increased EITC take-up in the first year.

My second approach is to compare neighborhoods in which WFC outreach was most effective with neighborhoods where WFC outreach was less effective. If the number of families claiming the EITC increased more in neighborhoods where the WFC reached more people, then this suggests that the WFC campaign may have contributed to take-up of the EITC. As long as the neighborhoods with high WFC outreach were not simultaneously affected by other factors that would increase the number of EITC-claiming families, this should be a good test. I have placed neighborhoods (identified by ZIP code) them into one of three groups, according to

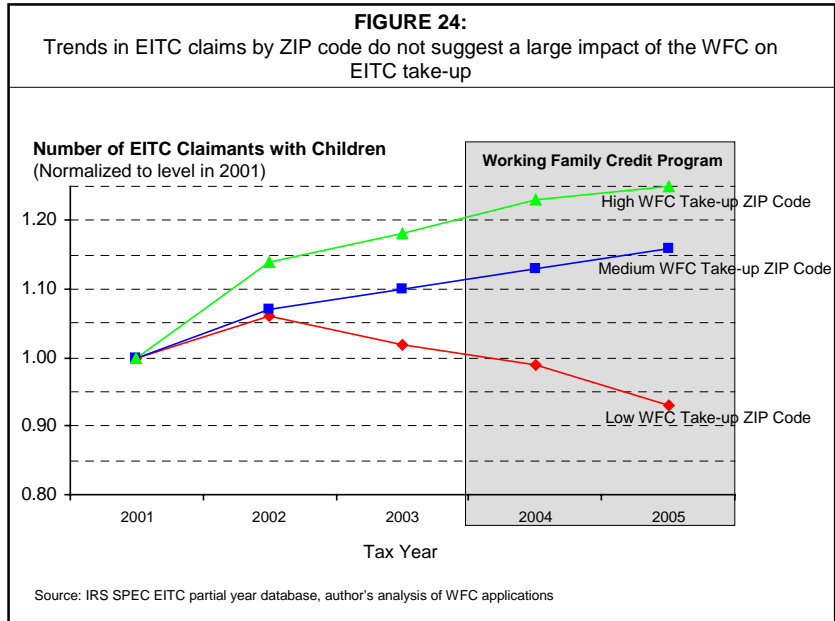
**TABLE 3:**  
**Grouping of SF Neighborhoods for EITC Take-up Analysis**

Low 38% Take-up		Medium 53% Take-up		High 66% Take-up	
94103	SOMA-West	94102	Tenderloin	94108	Chinatown
94110	Mission	94107	Potrero Hill	94109	Civic Center
94114	Twin Peaks	94112	Ingleside/Excelsior	94116	Parkside
94117	Haight	94115	Western Addition	94118	Richmond
94127	Mt. Davidson	94121	Outer Richmond	94122	Sunset
94131	Dimond Heights/Glenn Park	94124	BayView Hunters Point	94133	North Beach
94132	Lake Merced	94130	Treasure Island	94134	Visitation Valley

their two-year average WFC take-up rate. Table 3 identifies the neighborhoods contained in each group.

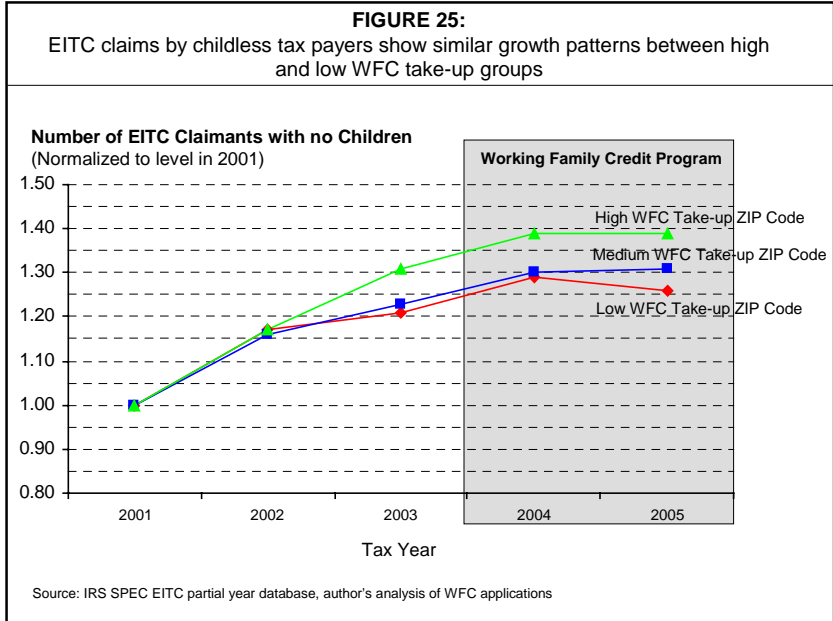
Figure 24 suggests that there was no above-trend increase in EITC claimants in neighborhoods that had higher rates of WFC participation. The figure plots the number of EITC claimants with children for the three neighborhood groups for tax years 2001 to 2005, normalized to their value in 2001. Neighborhoods with high and moderate levels of WFC participation saw a continuation of their pre-2004 upward trends in EITC claims. Neighborhoods with low WFC participation rates saw a continuation of their pre-2004 downward trend in EITC claims.

Further evidence is presented in Figure 25. This figure plots the number of EITC claimants with no children for the three neighborhood groups for tax years 2001 to 2005. We should expect the WFC to have only a small affect on the number of single individuals claiming the EITC because they were not eligible for the WFC program. Thus the response of single individuals to the program may be seen as a crosscheck on our



assumption that neighborhoods with high WFC take-up were not affected by other trends that could increase EITC claims. The neighborhood trends for childless filers are steeper, but similar to those for EITC-claiming families with children. Specifically, neighborhoods with high WFC take-up rates appear to also have higher growth rates of single low-income, EITC-claimants. This further suggests that population trends, rather than the WFC campaign, is behind the steady growth in EITC claimants with children observed in Figure 24.

To permit the presence of zip code-specific time trends, Table 4 provides estimates of the relationship between WFC participation and EITC claims. Each column corresponds to a separate linear regression, where the log of EITC claims with qualifying children is used as the dependent variable and a measure of the WFC take-up rate is used as independent variable. Each zip code is used as a separate observation for the years 2002 to 2005.



Columns (1) through (3) use the actual WFC take-up rate as the independent variable, while columns (4) through (7) use take-up group indicators as in Table 3.<sup>4</sup>

Since the dependent variable is in natural log units, the coefficients can be interpreted as the percentage change associated with a one unit change in the independent variable. For instance, in column (1), an increase in the WFC take-up rate from zero to 100% is associated with a 5.5% increase in the number of EITC claimants with qualifying children above the zip code average from 2002 to 2005. In column (4), members of the “high WFC take-up” zip code group have 6.2% more EITC claimants with children above their four year average than those from the reference group.<sup>5</sup>

Columns (3), (6), and (7) are the preferred specifications; they permit each zip code to have a separate linear trend line from 2002 to 2005. This is important because, as Figure 24 shows, the pre-program trends between high and low take-up neighborhoods are very different. Conceptually, this specification looks for above-trend growth in the number of EITC claimants with children in high WFC take-up areas during the program years. Column (7) controls for the number of EITC claimants without children, as an adjustment for low-income population growth. In all three of these specifications, I find no evidence of an association between WFC participation and EITC claims growth among families with children, at least at the zip code level.

<sup>4</sup> The WFC take-up rate is set to zero in years prior to the program’s enactment, so these estimates are identified both from variation within zip codes over time and across zip codes during the program years.

<sup>5</sup> In the categorical specifications (columns 4 through 7), the reference group includes all zip codes before the program and all low take-up zip codes after the program

**TABLE 4**  
**Regression Analysis of Increased EITC Claimants Associated with WFC Take-up**

	<b>Dependent variable: Log of EITC claims with qualifying children</b>						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Independent variables</b>							
WFC take-up rate	0.055 (0.026)*	0.182 (0.096)	0.006 (0.046)				
High WFC take-up indicator				0.062 (0.021)**	0.087 (0.032)**	0.004 (0.032)	0.003 (0.030)
Med WFC take-up indicator				0.038 (0.024)	0.063 (0.034)	-0.023 (0.034)	-0.017 (0.033)
Log of EITC claims with no QC							0.266 (0.127)*
<b>Control variables</b>							
ZIP code indicators	X	X	X	X	X	X	X
Year indicators		X			X		
ZIP code time trends			X			X	X
Observations	84	84	84	84	84	84	84
Adjusted R-squared	0.995	0.995	0.997	0.995	0.995	0.997	0.998
Standard errors in parentheses							
* significant at 5%; ** significant at 1%							
Note: Since the dependent variable is in natural log units, the coefficients can be interpreted as the percentage change associated with a one unit change in the independent variable. For instance, in column (1), an increase in the WFC take-up rate from z							

While this analysis does not conclusively establish that EITC take-up did not increase with the introduction of the Working Families Credit program, I find no evidence that it did. Recent trends in the number of families claiming the EITC cannot be explained by the introduction of the Working Families Credit or its pattern of diffusion across neighborhoods. There are several drawbacks of this analysis, though. Most importantly, I cannot measure actual EITC take-up rates because the number of EITC-eligible families cannot be easily estimated from available sources. As the WFC program transitions from a pilot to a permanent program, it would benefit from closer attention being paid to how its effect on EITC take-up could be measured.

## Conclusion and Recommendations

This report has provided an extensive descriptive analysis of the second year of operation of San Francisco's Working Families Credit program, building on the first year evaluation conducted by Schneider and Tufano. The program has expanded considerably since the first year, providing nearly 1,500 more working families modest financial support used for bill relief and other household necessities. Encouragingly, this expansion has somewhat narrowed the take-up gap across neighborhoods from the first year, and expanded the programs to more Latino, African American, and White low income working families. In concert with this expansion, this analysis shows that the fraction of working families who utilize checking or savings accounts increased noticeably from 2004 to 2005.

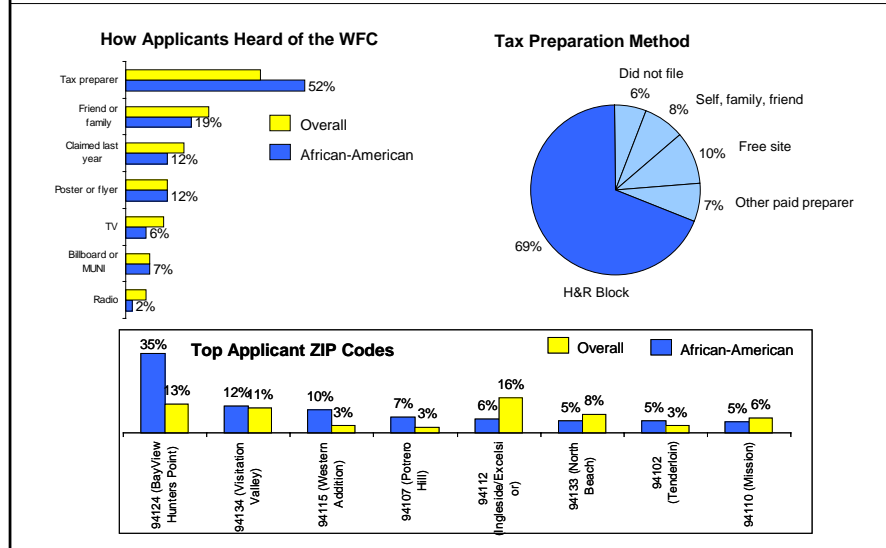
This analysis has also highlighted several issues that should be considered and addressed as the program moves into its third year and beyond.

- **Disparities in take-up still exist.** Though the gap may have closed in the second year of the program, disparities in take-up still exist. Many poor working families who are eligible for the program are still not participating. It is estimated that nearly 9,000 working families are missing out on the WFC benefits they are entitled to.
- **Private tax preparers are central to participation.** Free tax sites and H&R Block have been key partners in the development and implementation of the Working Families Credit, but other smaller private tax preparers have been mostly absent from the development of the program despite their extensive use by WFC applicants. Small tax preparers are a key outreach channel for the program, but their knowledge of and attitudes towards the program are not well understood. Differences in the behaviors of private tax preparers across neighborhoods could explain take-up differences, but was not explored in this analysis.
- **Utilization of work supports such as health insurance and Food Stamps is incomplete.** This analysis has shown that 15% of applicants lack health insurance for their children, and an additional 15% lack it for themselves. In addition, few applicants were receiving Food Stamps during 2005, though many were likely to be eligible for the program. A key priority of the WFC program moving forward is to more tightly couple WFC outreach with the outreach efforts of these other programs. This analysis suggests that this is an important and potentially fruitful direction.
- **Utilization of nontraditional banking services is high, even among the banked.** Many WFC applicants report using check cashers or payday loan services, even if they have a traditional bank account. Whether this behavior reflects barriers to traditional bank usage – such as inconvenient hours or limited credit access – among those already banked is a question for further exploration.
- **Asset accumulation is low.** Most Working Family Credit applicants have little savings but at least \$500 in debt. Consequently, most plan to use their WFC to pay off bills or for household necessities such as food and rent; asset accumulation is not high on this list. The WFC campaign should continue to address barriers to asset accumulation and also explore opportunities for helping working families with debt reduction.

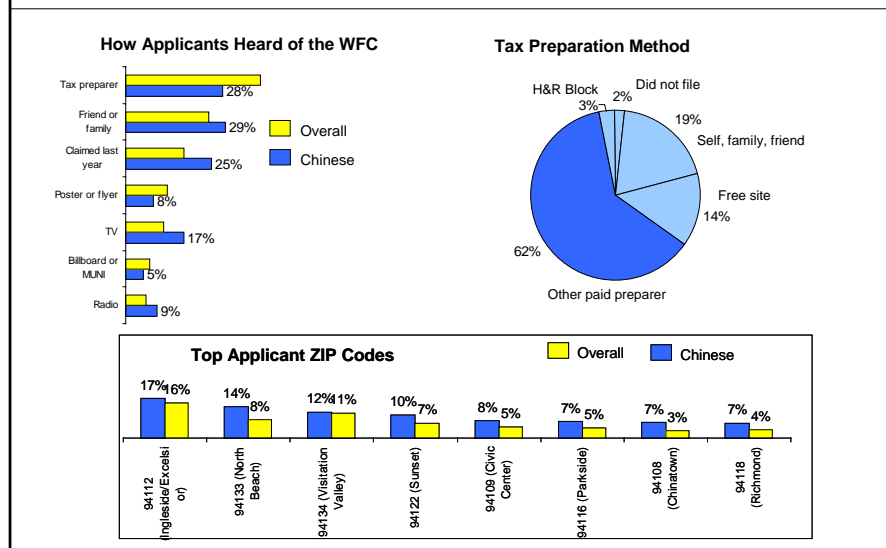
- **San Francisco's working poor are very diverse.** This analysis has highlighted the fact that the working poor in San Francisco are a very heterogeneous group. San Francisco's working poor span all ethnicities and neighborhoods, but significant differences between ethnicities exist in how clients heard about the program and how they got their taxes prepared. This suggests that ethnic-specific outreach strategies that incorporate these differences may be more fruitful than city-wide strategies that attempt to reach all people in a similar manner.
- **The information about San Francisco's working poor collected through the WFC program is unmatched.** The Working Families Credit program has provided policy-makers and advocates with a wealth of information about San Francisco's poor working families that is unmatched by other datasets available. The data can be used to provide repeated snapshots of the condition of San Francisco's poor families, as well as to track outcomes such as income, insurance coverage, and banking behavior for a fixed cohort of families over time. Currently the City and County captures only a few of the fields contained in participants' tax transcript records, including the number of exemptions and EITC amount. The database could be enhanced even further if additional data fields were captured from these transcripts.

## Additional Analysis

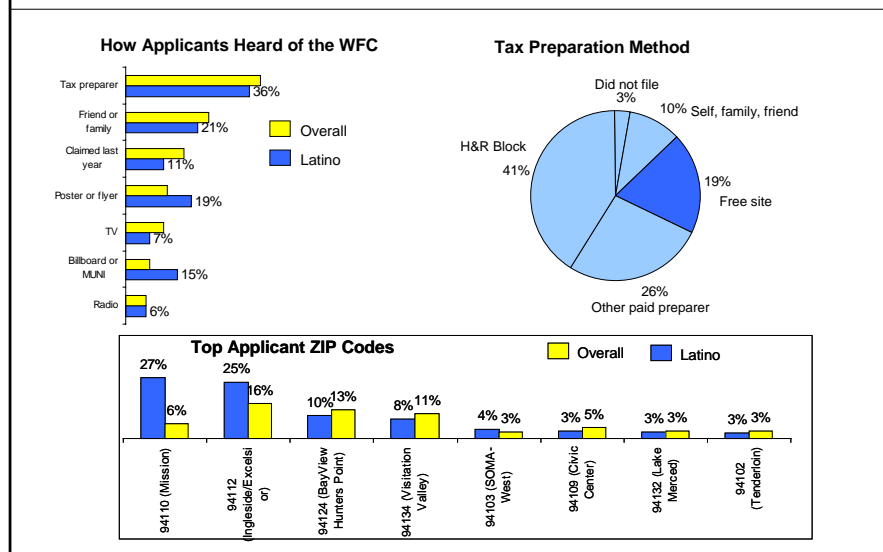
**FIGURE A1:**  
African-American applicants heard about the WFC from their tax preparer (H&R Block) and were concentrated in Southeast SF



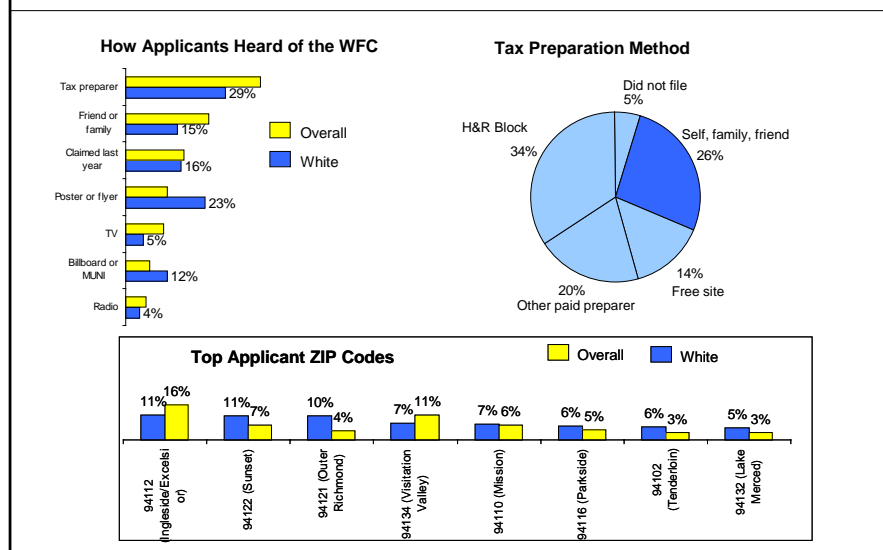
**FIGURE A2:**  
Chinese applicants heard about the WFC from their tax preparer, family, friends and from last year and typically utilized other paid preparers



**FIGURE A3:**  
Latino applicants were particularly affected by the marketing campaign, utilized free tax sites, and were concentrated in the Mission/Excelsior



**FIGURE A4:**  
White applicants were also affected by the marketing campaign, but were more likely to prepare their taxes themselves or have a friend do them



**Table A1**  
**Number of WFC Applicants by ZIP Code for Tax Years 2004 to 2005**

	Tax Year		Growth Rate
	2004	2005	
<b>Total</b>	11,104	12,596	13%
<b>ZIP code</b>			
94102 (Tenderloin)	396	432	9%
94103 (SOMA-West)	249	283	14%
94107 (Potrero Hill)	214	226	6%
94108 (Chinatown)	473	471	0%
94109 (Civic Center)	542	569	5%
94110 (Mission)	633	770	22%
94112 (Ingleside/Excelsior)	1,685	1,985	18%
94114 (Twin Peaks)	47	52	11%
94115 (Western Addition)	350	391	12%
94116 (Parkside)	570	620	9%
94117 (Haight)	140	145	4%
94118 (Richmond)	397	433	9%
94121 (Outer Richmond)	508	604	19%
94122 (Sunset)	705	760	8%
94124 (BayView Hunters Point)	1,216	1,441	19%
94127 (Mt. Davidson)	41	62	51%
94130 (Treasure Island)	49	74	51%
94131 (Dimond Heights/Glenn Park)	88	108	23%
94132 (Lake Merced)	263	319	21%
94133 (North Beach)	971	986	2%
94134 (Visitation Valley)	1,368	1,601	17%
Other ZIP code	199	264	33%

**Table A2**  
**Number of WFC Applicants and EITC Recipients by ZIP Code for Tax Year 2004**

<b>ZIP code</b>	(1) WFC Applicants	(2) Total EITC Returns (Claimed)	(3) Returns Claiming No Children	(4) Returns with Qualifying Children	(5) WFC Take- up Rate = (1)/(4)
94102 (Tenderloin)	396	1,616	822	794	49.9%
94103 (SOMA-West)	249	1,271	629	642	38.8%
94107 (Potrero Hill)	214	792	335	457	46.8%
94108 (Chinatown)	473	970	421	549	86.2%
94109 (Civic Center)	542	2,066	1,194	872	62.2%
94110 (Mission)	633	3,902	1,721	2,181	29.0%
94112 (Ingleside/Excelsior)	1,685	5,203	1,654	3,549	47.5%
94114 (Twin Peaks)	47	819	645	174	27.0%
94115 (Western Addition)	350	1,291	547	744	47.0%
94116 (Parkside)	570	1,910	804	1,106	51.5%
94117 (Haight)	140	1,338	945	393	35.6%
94118 (Richmond)	397	1,369	710	659	60.2%
94121 (Outer Richmond)	508	1,814	766	1,048	48.5%
94122 (Sunset)	705	2,373	1,124	1,249	56.4%
94124 (BayView Hunters Point)	1,216	3,070	596	2,474	49.2%
94127 (Mt. Davidson)	41	382	221	161	25.5%
94130 (Treasure Island)	49	168	59	109	45.0%
94131 (Dimond Heights/Glenn Park)	88	698	407	291	30.2%
94132 (Lake Merced)	263	1,078	458	620	42.4%
94133 (North Beach)	971	1,886	720	1,166	83.3%
94134 (Visitation Valley)	1,368	3,255	808	2,447	55.9%
Total of above ZIP codes	10,905	37,271	15,586	21,685	50.3%
Other	199				
Total all applications	11,104				

**Table A3**  
**Probit regression analysis of repeat WFC participation**

**Dependent Variable:** Reapply for WFC in 2005

EITC Amount	(1)		(2)		(3)		(4)		(5)	
	dF/dx	z-statistic	dF/dx	z-statistic	dF/dx	z-statistic	dF/dx	z-statistic	dF/dx	z-statistic
0501-1000	0.07	2.01	0.07	2.06	0.08	2.29	0.09	2.49	0.09	2.58
1001-1500	0.10	3.20	0.09	2.69	0.10	2.92	0.10	2.95	0.11	3.14
1501-2000	0.16	5.24	0.15	4.64	0.14	4.22	0.15	4.41	0.15	4.38
2001-2604	0.19	6.86	0.19	6.01	0.18	5.66	0.19	5.72	0.19	5.80
2604	0.19	6.23	0.20	5.84	0.18	5.01	0.19	5.21	0.20	5.30
2604-3000	0.26	6.80	0.25	6.09	0.25	5.89	0.25	5.95	0.25	5.88
3001-3500	0.23	6.58	0.21	5.52	0.20	5.25	0.21	5.39	0.21	5.28
3501-4000	0.23	7.05	0.22	6.17	0.22	5.71	0.21	5.60	0.21	5.58
4000-4300	0.26	7.00	0.27	6.62	0.25	5.86	0.25	5.87	0.26	5.89
4300	0.27	8.44	0.26	7.04	0.25	6.45	0.25	6.40	0.25	6.37
4300+	-0.26	-7.77	-0.26	-7.22	-0.27	-7.36	-0.27	-7.05	-0.26	-6.72
<b>Household Income</b>										
10-15,000			0.04	1.71	0.02	0.82	0.02	0.72	0.02	0.78
15-25,000			0.07	3.69	0.04	1.91	0.04	1.87	0.04	1.68
25-35,000			0.04	1.68	0.00	0.08	0.01	0.54	0.01	0.45
35,000+			0.01	0.27	-0.01	-0.15	-0.01	-0.09	0.00	0.04
<b>Ethnicity</b>										
Chinese					0.19	9.70	0.12	4.39	0.12	4.05
Latino					-0.02	-0.76	-0.04	-1.40	-0.04	-1.44
White					-0.08	-2.05	-0.09	-2.39	-0.09	-2.14
Other					0.03	1.14	0.01	0.20	0.00	-0.01
<b>Filing Method</b>										
H&R Block							-0.07	-0.80	-0.06	-0.58
Other paid preparer							0.00	0.01	0.02	0.16
Free preparer							0.02	0.17	0.02	0.15
Friend, family, own							-0.02	-0.26	-0.01	-0.08
Other method							0.00	-0.01	0.00	0.02
<b>How heard of WFC program</b>										
Preparer									-0.01	-0.26
Friend									0.01	0.26
TV									0.03	1.11
Radio									-0.05	-1.51
Poster									0.00	-0.02
Observations	4860		4644		4487		4162		4034	

Note: Each column represents a separate probit regression with an indicator for having reapplied for the WFC in 2005 as the dependent variable and the listed dummy covariates as independent variables. The omitted categories are EITC amount \$1 to 500, income less than \$10,000, African American, claimed not to have filed taxes, and not having heard of the program by the five listed sources. dF/dX is the change in probability of repeating if in the given category relative to the omitted group. For instance, individuals with an EITC amount of 501 to 1000 are nine percentage points more likely to reapply in 2005 relative to those with an EITC amount \$500 or less, holding income, ethnicity, filing method, and source constant. z-statistics are for a test of the underlying coefficient being zero.

**Table A4**  
**Probit regression analysis of checking account utilization**

**Dependent Variable:** Have checking account in 2005

	(1)		(2)		(3)	
	dF/dx	z-statistic	dF/dx	z-statistic	dF/dx	z-statistic
<b>Tax year 2005</b>			0.12	12.18	0.11	11.06
<b>Household Income</b>						
10-15,000	0.09	7.03	0.08	6.74	0.08	6.31
15-25,000	0.12	10.68	0.11	10.33	0.12	10.05
25-35,000	0.17	15.03	0.17	14.71	0.17	13.82
35,000+	0.15	6.75	0.14	6.30	0.14	6.09
<b>Ethnicity</b>						
Chinese	0.28	25.11	0.29	25.52	0.25	17.51
Latino	0.11	8.93	0.11	8.43	0.09	6.47
White	0.17	12.08	0.17	11.66	0.15	9.09
Other	0.14	11.98	0.14	11.63	0.12	9.05
<b>District effects</b>	No		No		Yes	

Note: Each column represents a separate probit regression with an indicator for having a checking account as the dependent variable and the listed dummy covariates as independent variables. The omitted categories are 2004 tax year, income less than \$10,000 and African American ethnicity. dF/dX is the change in probability of having a checking account if in the given category relative to the omitted group. For instance, individuals in the 2005 tax year were 11 percentage points more likely to have a checking account relative to 2004 applicants, holding income, ethnicity, and District constant. z-statistics are for a test of the underlying coefficient being zero.

## Data Sources and Methodological Notes

This report uses data from several sources. This section describes these sources and several other methodological issues.

- 1. Application data.** The primary source of data for this analysis is the information collected as part of the application process. Application forms ask applicants for their name, address, phone number, social security number for self and spouse (if joint return), whether the applicant desires direct deposit, bank account information (if want direct deposit), and whether they wish to be contacted about other services and for evaluation purposes. WFC applicants also complete IRS form 4506-T, which gives permission for the IRS to release their tax return transcript to the City and County of San Francisco. From the tax transcripts, the City and County enters into their database the number of exemptions, the EITC amount, and address of all applicants. Application and tax transcript information is available and analyzed for all WFC applicants.
- 2. Optional surveys.** An optional survey is attached to the WFC application form and individuals are asked to complete the survey at the time of application. In 2005, 3,464 out of 12,596 applicants (28%) completed the survey, compared to 5,525 out of 11,104 applicants (50%) in 2004. Survey response did vary systematically with neighborhood and application source (H&R Block, internet, free tax site), with applicants in Chinese-heavy neighborhoods and those who downloaded the application from the internet being less likely to complete a survey. To correct for this non-random response, I developed weights based on supervisor district and application source. Weights are the number of applications that each survey response represents – I allowed these weights to vary by supervisor district and application source. Unweighted analysis allows each survey to represent the same number of applicants. Aside from racial and geographic composition and tax preparation method, results are insensitive to the use of the survey weights. The surveys do not ask applicants for their complete social security numbers, so survey data was matched to application data using name, address, and the last four digits of the social security number. In 2005, 3,186 out of 3,464 survey respondents (92%) were matched to their WFC application. Unmatched applicants do not appear to be systematically different from matched applicants, so were not used in the descriptive analysis.
- 3. HSA program data.** Participation in Medi-Cal, Food Stamps, CalWORKS, and CAAP was determined by matching applicant social security numbers to the social security numbers of participants in these programs during December 2005, using administrative data from the San Francisco Human Services Agency.
- 4. EITC data from IRS.** The number of EITC claimants by ZIP code, used to calculate the WFC take-up rate and for the analysis on EITC take-up, was obtained from the IRS SPEC Tax Year 2005 EITC returns database.
- 5. Efile providers.** The names and addresses of authorized e-file providers was downloaded from the IRS website at <http://www.irs.gov/efile/page/0,,id=10162.00.html> in August of 2006.