




# **The San Francisco Working Families Credit Qualitative Evaluation of Year Two**

by Tiana Wertheim with D2D Fund

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## **Table of Contents**

Summary of Lessons Learned	1
Summary of Opportunities & Recommendation	1
Introduction	2
Organization of this Memorandum	
Target Audience	
Other Topical Papers	
Sources/Methodology	
What Partners of Roles Changed?	3
Achievement of Program Goals to Date	4
What are the Bi-Products of the WFC?	5
Lessons Learned	8
Opportunities & Recommendations	10
Addendum	12

## SUMMARY OF LESSONS LEARNED

The WFC experience has taught the following key lessons:

### **WFC is popular and has broad support**

1. WFC is well liked and well supported. The WFC concept – local EITC – registers well with policy makers, funders, and recipients.

### **Program objectives for the WFC are vitally important but challenging to set and measure, some especially so.**

2. Stated pilot goals were not measurable. Program planners failed to anticipate the difficulty of measuring these goals and the difficulty of establishing a baseline to measure against. (Program impact on EITC take-up and family retention are almost impossible to demonstrate directly and use of proxy indicators would have resulted in a large administrative burden).
3. The objective of building the assets of WFC recipients presents real challenges: it is a process and it takes time.

### **The WFC public / private partnership has been a strong success, even spawning great innovation, but not without initial and on-going cost.**

4. A public/private partnership has a range of competencies that far exceed those of any individual partner or sector.
5. Soliciting and maintaining the support of private partners require both an initial strategy and long-term relationship management.
6. Well defined roles are critical among collaborative partners.
7. Innovation is possible within and among bureaucracies.

### **The WFC is a lot of work and tricky to implement well.**

8. WFC is a lot of work and takes a lot of staff-time to do right. Effective implementation is vitally important but deceptively challenging.

## SUMMARY of OPPORTUNITIES and RECOMMENDATIONS

- 1) Opportunity: Electronic access to tax transcript data could considerably reduce administrative burden and facilitate use of proxy indicators to assess impact on EITC take-up.

Recommendation: Aggressive pursuit of electronic access from the IRS. Use all resources at the disposal of the coalition (Pelosi, Mayor Newsom, H&R Block, etc) to advocate with the IRS.

- 2) Opportunity: Increase utilization of data. The opportunity exists for the City to use the database for more targeted and pro-active outreach, linking the WFC applicants to other benefits and resources for which they may be eligible.

Recommendation: Commit to a time-table, develop a process, and assign accountability for communicating with WFC applicants about other public benefits and services for which they may be eligible.

- 3) Opportunity: Increase focus on asset-building agenda and specifically target debt reduction.

Recommendation: The Treasurer's Office direct program innovations regarding debt reduction with a possible emphasis on medical debt.

- 4) Opportunity: Start planning as soon as possible for future program innovations. Further delay may jeopardize momentum, lose the attention of private funders and not capitalize on resources currently available from partner agencies.

Recommendation: Planning and fundraising for innovations in Year 4 should begin as soon as possible. One innovative worth considering is to provide a higher WFC credit amount to first time EITC filers.

- 5) Opportunity: Define new role for SFWorks and other partners.

Recommendation: Consider whether there is a role that partners are uniquely positioned to fill and draft a Memorandum of Understanding detailing their revised roles and responsibilities.

- 6) Opportunity: Increase the City's investment in WFC marketing so it is less dependent on a single private partner to support such an essential program component.

Recommendation: Develop a plan to either expand the number of marketing sponsors and/or have the City gradually fund more of program marketing.

- 7) Opportunity: As the WFC becomes institutionalized there is a risk of the WFC advocacy base narrowing.

Recommendation: Keep advocacy organizations and the Board of Supervisors abreast of the WFC success.

## **Introduction**

By unanimous consent, Year 2<sup>1</sup> of San Francisco's Working Families Credit was a rave success despite limited information about the program's impact on EITC take-up. WFC applications grew by 13%, with approximately two-thirds of first year applicants reapplying. Not only did the total number of WFC applications (and claimants) grow but the wide variation in take-up across neighborhoods experienced in Year 1 narrowed significantly in the second year. Whereas a detailed analysis of quantitative data can be found elsewhere<sup>2</sup>, the purpose of this memorandum is to answer how and why did goals, activities, partnerships or roles change in Year 2, and what the implications were. While the quantitative evaluation will ask what quantifiable impact did the program have, the qualitative evaluation asks what was the intervention, how was it implemented and what non-quantifiable impact did it have? It asks what are bi-products of the WFC and what lessons have been learned? What are the opportunities and risks that the WFC faces moving forward? This memo addresses these questions.

### **Organization of the Memorandum**

This paper is organized in ten sections: a description of the target readership, a reference to other memos drafted about the WFC, a brief summary of sources and methodology, a discussion about what partners and roles changed in Year 3, discussion about program goals achieved to date, reflection about program bi-products, summary of lessons learned, program risks and recommendations to safeguard against them. The paper concludes with an addendum documenting three WFC program changes made since the conclusion of the two-year pilot: revised program goals, the transition of the WFC lead agency to the Human Services Agency, and the recent decision to make the WFC benefit amount a flat rate.

### **Target Audience**

The target audiences for this paper are twofold: (1) San Francisco's policymakers, WFC program leadership, specifically the WFC Principals and Steering Group members, and the San Francisco Human Services Agency, which is taking the lead in project management of the Working Families Credit in Year 3 and beyond; and (2) other jurisdictions and those who might support them in launching a similar project.

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<sup>1</sup> "Year 1" references the first year of the WFC pilot: tax year 2004, for which applications were submitted and checks were issued in 2005. "Year 2" references tax year 2005, for which applications were submitted and checks issued in 2006.

<sup>2</sup> See Kevin Stange's "Evaluation of Year 2 Progress Update, 9/12/2006 and Daniel Schnieder's December 2005 summary of Year 1 quantitative outcomes.

### **Other Topical Papers**

This paper supplements others drafted for SFWorks on the WFC, including “Delivering a Local EITC, Lessons Learned from the San Francisco Working Families Credit” published by SFWorks and the Brookings Institute in May 2006, multiple memos submitted to the WFC Principals (analyzing the May 2005 stakeholder retreat, the September 2005 focus groups, the September 2006 focus group, program design considerations), “The San Francisco Working Families Credit: Analysis of Program Applicants,” by quantitative evaluators Daniel Schnieder and Peter Tufano of the Harvard Business School; and a forthcoming memo on quantitative findings from Year 2, by Kevin Stange. (Many of these papers can be found on the SFWorks website at [www.sfworks.org](http://www.sfworks.org).)

### **Sources/Methodology**

The qualitative evaluation team has closely observed the WFC since May of 2005. The specific data sources informing this paper are:

- (1) interviews with key program partners representing the Mayor’s Policy Office, the Treasurer’s Office, the Department of Children Youth and Families, San Francisco Human Services Agency SFWorks, Tax Aid/Earn It Keep It Save It!, H&R Block, Wells Fargo, and Bank of America. Stakeholders have been interviewed repeatedly over the past eighteen months, including a round of 10 interviews conducted in October 2006, reflecting specifically on Year 2 of implementation.
- (2) observation of multiple steering committee and principals committee meetings. Evaluators have intermittently attended WFC management meetings over the past eighteen months.
- (3) facilitation/observation of multiple focus groups conducted in English, Spanish and Chinese. Focus groups were conducted in both 2005 and 2006 with Credit applicants or eligible applicants. And, a
- (4) review of program documents.

### **What Partners or Roles Changed?**

Whereas the roles and responsibilities of WFC program partners was described in great detail in the “Delivering a Local EITC” memo, some roles and actors changed in Year 2; insight into these changes may be useful to jurisdictions considering program replication. With a year of experience under their belt, program administrators were better positioned to know what tasks needed to be accomplished in Year 2 and to evaluate whether or not the agencies responsible for implementing the program had the resources to get the job done. Below is a description of key changes.

- Steering Committee membership varied over the two years. In Year 2, the Treasurer’s Office and SFWorks did the lion’s share of the work. As planned, the role of the Mayor’s Office shrunk substantially. Also, by the fall of 2005, the Principals had decided that the City’s Human Services Agency would take-over implementation in Year 3, and in order to prepare for a smooth transition, H.S.A. sent staff to attend WFC meetings on a regular basis starting in December of 2005. H.S.A. was thereby engaged in a more active way in Year 2 and disseminated more WFC information to their own network.
- DCYF, a new partner responsible for outreach in Year 2: Outreach to the community in Year 1 was collectively pieced together with the heavy lifting by SFWorks, Earn It! Keep It! Save It!, the Mayor’s Office of Neighborhood Services and Mayors Office of Community Development. In Year 2 the Department of Children Youth and Families (DCYF) took over WFC outreach to the community and to other city departments. As a representative of the Mayor’s Office put it, “It would have been great to have DCYF in Year 1, but we didn’t have time to figure out that we needed someone to focus on outreach nor to figure out who that should be. So we just did it ourselves with the help of SFWorks. By the time we were planning for Year 2 we knew we needed a department to take the helm in outreach, and DCYF was selected because of their relationship to the CBO [community based organization] community and their focus on children.” As a City representative explained, in the first year of implementation the Mayor’s Office and Treasurer’s

Office were so focused on mechanics of working with the IRS, the application, working with H&R Block, that outreach to the public “seemed secondary.” Not so in the second year. Due to its experience in outreach with community based organizations in particular, and its emphasis on children and families, DCYF was selected as the outreach hub in Year 2.

The responsibility for outreach was much more work than DCYF anticipated. “It was like whoa! Holy Guacamoli!” explained a senior at DCYF. The job involved receiving, storing, sorting and distributing hundreds of boxes, thousands of materials to hundreds of agencies, plus the school system. The agency found the interdepartmental outreach more difficult than the CBO outreach or the outreach to schools, because DCYF expertise had never been to coordinate and educate a huge range of city departments (from the post office, to the whole health department and so on). In addition to the large number of staff-hours it took to organize and distribute materials, DCYF was overwhelmed with the physical challenge of storing materials. Since DCYF has limited office space, hallways were crowded with boxes staked high to the ceiling. Whereas, locating outreach responsibility in DCYF had sounded good in theory, it was overwhelming in fact. Assistance from external consultants was relied upon to orchestrate the work, and the Department has since opted not to maintain its job as WFC outreach coordinator.

- Revised role of the Mayor’s Policy Office: In Year 1 the Mayor’s Policy Office spear-headed interdepartmental outreach because their leverage and high profile helped get peoples’ attention, which was necessary for the first year of the project, but less so for the second year. While the Mayor’s Office attended a few meetings at the start of the year, it virtually attended no WFC planning meetings from October-April; they none-the-less, continued to be a resource to the Steering Committee as called upon. The Office of Policy maintained a role as a program advisor, communicator to the Mayor, liaison to the Board of Supervisors and overseer of legal or legislative implications. It did less in the second year to use the Mayor to give the WFC exposure within the City – although the Mayor profiled the WFC at the 2006 Conference of Mayors and elsewhere, and his name and photo continues to be used on some marketing pieces.
- In Year 2 the Treasurer’s Office Co-Chaired the WFC Steering Committee and maintained senior responsibility for program management and program operations. They managed applications and oversaw the applicant database, served as the conduit to the IRS, worked with partners to develop marketing materials, cut and distributed all checks. These functions are gradually transitioning to the Human Services Agency in Year 3. (The Treasurer’s Office is leading the Bank on San Francisco initiative, a WFC spin-off that focuses more particularly on financial services and getting persons banked, which falls more concretely within the Treasurer’s Office’s core mission.)
- Revised role of SFWorks: SFWorks has maintained an active role in program marketing, designing and overseeing the evaluation, orchestrating focus groups and communicating with partners on a wide range of policy and management activities. As Co-Chair of the Year 2 Steering Committee, SFWorks continued to assist the City in leading the WFC program, keeping the planning and implementation balls in the air, paying attention to both details and the big picture, thinking strategically, providing significant and professional input on marketing materials, playing a liaison with a number of external partner agencies, like H&R Block and Group One, focusing on program improvement and establishing high expectations. Importantly, in Year 2, SFWorks has minimized its fundraising and reduced its involvement in day-to-day program implementation.
- The role of H&R Block was consistent throughout the second year. Their \$1 million donation to the credit itself was spread over a two-year period and their significant donation of in-kind marketing expertise, offered through the services of Group One, continued in full-swing in year two. Group One worked with the City and SFWorks to do the creative design and printing of applications and all marketing materials, including bill boards, bus-indoor and outdoor posters, brochures, fliers and door-hangers. All H&R Block offices in the City advertised the WFC and their tax preparers assisted applicants in completing and submitting WFC applications free of charge. The MOU crafted between the City and Block went unchanged in the second year. In Year 1, H&R Block put a team member on the ground in San Francisco to support WFC logistics and outreach. (They actually paid to move a consultant to San Francisco for two months to support the project full-time

in Year 1). As the capacity of the City improved from Year 1 to Year 2, H&R Block no longer deemed such a contribution to be necessary, nor was it requested of them by the City.

- Tax Aid continued to play a significant role in WFC planning and implementation in Year 2, particularly on WFC outreach. All Tax Aid volunteers were trained in WFC and expected to assist in WFC applications. (In Year 3, Tax Aid joined the Steering Committee and provided substantive insights, suggestions, resources and intellectual vigor. Tax Aid shared and analyzed data with WFC evaluators, observed focus groups and played an integral role in both planning and ongoing problem-solving.)

### **Achievement of Program Goals to Date**

What the WFC has achieved relative to the program's pilot goals (which were officially defined by Principals in May of 2005) is difficult to assess. The top three objectives were: increasing the EITC take-up rate, promoting asset-building, and retaining families in San Francisco. Among these, the Mayor's Office emphasized the impact on EITC take-up as the fundamental objective. Unfortunately it is almost impossible to ascertain whether the WFC had an impact on EITC "take up rate," defined as the number of eligible EITC applicants as a fraction of those who are eligible. Determining the number of eligible applicants is incredibly challenging given available data. Due to changes in demographics, and economics, it is close to impossible to confidently estimate the size of the eligible pool. This is true for multiple reasons:

- 1) Eligible non-filers have not "self identified" in the way filers have, which means one has to construct eligibility from other data sources.
- 2) No single data source has sufficient information to estimate how many residents of a defined geographic area would qualify because EITC eligibility criteria are complex (including family structure, residency of children (the household they live in for the majority of the year), income, legal residency status, and income sources).
- 3) Data sets that might help estimate eligibility often come from different years, so multiple eligibility criteria indicators do not apply to the same time frame. Even if a change in take-up rate could be determined, the next research question would be how to link that change to the WFC program and screen out other influencing factors. This task would require some comparison or control group.

A second best option was for researchers to use a change in EITC claimants as a proxy for a change in EITC take-up. This approach is valid if the eligible pool does not change over time, or systematically with the WFC program roll-out. Control areas (such as other counties or low participation zip codes) could be used to adjust for the changes in the number of eligible families in WFC areas. WFC researchers hoped, at the minimum, to determine whether or not there was a notable effect on the trend line of the number of San Francisco's EITC applications in Year 1 of program implementation. The research team found that changes in the EITC trend line were negligible. It is possible that the impact of the WFC prevented the EITC trend line from going downward, but this too is almost impossible to evaluate.

It would have been possible to uncover the number of WFC applicants who are first time EITC applicants (or at least not repeat applicants from the previous year), if the City collected transcripts from multiple years from the IRS, when they verified WFC eligibility. However, the City decided not to pursue this suggestion due to the immense amount of paperwork, staff time, data collection and verification that would be involved for both the City and the IRS<sup>3</sup>. (These administrative hurdles could be reduced substantially if the IRS were to grant the City electronic access to tax information). Another important reason the City decided not to verify EITC receipt for previous years was its fear that there would be a surge in data errors (such as distributing checks based on incorrect, prior year data) resulting from using this method. Given the City's decision, researchers do not have access to necessary data to use "first time" EITC application data as a proxy for impacting EITC take-up. At this point, given all the constraints defined

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<sup>3</sup> The administrative hurdles are tremendous particularly because the IRS has not granted electronic access to tax information to the City and instead requires all data be shared through hard paper copies. This means the City must sort through 12,000 pieces of paper for single year transcript. That number would be doubled if the City were to verify EITC claims for an additional year.

above, it is not possible to demonstrate WFC impact on EITC.

Measuring the Credit's impact on the retention of low-income families in the City is the goal that has been most problematic to assess. To do would require tracking at least a random sample of WFC recipients and a control group over an extended time horizon. Thus far consideration of such information gathering has not been discussed. The benefit of quantifying this outcome should be weighed against the cost.

Evaluating impact on asset-building is the goal that has been easiest to measure. The WFC survey includes point-in-time proxies for asset-building: having a bank account, using payday loans, amount of savings/debt. However, asset building implies a long-term commitment to saving and eventual investment in strategic, productive purchases, such as a home or post-secondary education. Measuring the long-term financial behavior of WFC claimants requires both a long time horizon and an almost unprecedented data collection effort. For the subset of applicants who complete the survey in multiple years, it will be possible to look at changes over time.

In the meantime, given the limited ability to assess program impact on targeted *outcomes* – a challenge not atypical for a broad policy program rightly focused first on delivering promised benefits and, only secondarily, on evaluation -- reflection has been focused on the program's *outputs*. Outcomes reflect a program's impact on long-term program goals. Outputs quantify program activities over a short-term time horizon. In summary, 11,542 applications were generated in Year 1, and 12,552 applications were generated in Year 2. In Year 2, 92% (or 11,538) of applications were found eligible, compared to 87% in Year 1. The total value of WFC checks distributed in Year 1 was \$2,111,991 and in Year 2 was \$2,321,576.<sup>4</sup>

#### What Are the Bi-Products of the WFC?

From the City's perspective, the most desired outcome of the WFC was to measurably increase San Francisco's EITC take-up rate. Whereas we don't know what impact the program has made in this regard, other significant program bi-products are clear. These include: modeling a public/private partnership, team formation, the development of a culture of innovation, the development of Bank on San Francisco, the collection and analysis of rich data about working poor families in San Francisco, demonstration of data collection as an essential program activity, linkage to other benefits, publicity about the challenges facing the target population and what cities can do to address them. These bi-products are described below.

1. Model for public private partnership: The WFC solidified the capacity among its key program leaders to launch innovative public/private campaigns like Bank on San Francisco quickly and effectively. Lessons from WFC outreach, marketing, and data collection are relevant and could be applied to other major city initiatives, including expanded Food Stamp or public health insurance campaign. Ideally the City will leverage the experience and skills of the initial WFC design/implementation team by soliciting their input and advice as they take the project forward. There may be ongoing potential for the City to share among its leadership the experience and lessons of the WFC, so that other projects like the Communities of Opportunity can benefit.
2. Multi-sector Team Formation: Through WFC a high performing team has been established. Leaders from nonprofit agencies, for profit companies, funders, and the City have established relationships, which have already proven themselves fruitful. One Bank partner explained, "It opened the door to advocates in the community so they could come to us with other ideas like Bank on San Francisco. WFC helped create a team atmosphere inside and outside the city." Another private partner reflected, "In terms of community development, building relationships with partners, it [WFC] has built an incredible foundation, if has paid off in spades and been incredibly positive for us."
3. Culture of Innovation: The experience of creating and implementing the WFC has whet the appetite of City employees involved with the WFC to work on systems change and innovations. Not only have individuals become more informed and inspired, but so have City agencies like the Treasurer's Office. A key staff person at the Treasurer's Office explained, "WFC allowed us to establish a new role for the Treasurer's Office. Social programs are not typically associated with our office. We have become involved in the whole asset-building field." An office that was typically known for its specialty tax collecting now finds itself leading city-wide efforts to enhance access to financial services

<sup>4</sup> A much more complete description of first year outputs is included in "WFC Year One Summary Review," 12/20/05 by T. Wertheim and T. Flacke. Year 2 outputs are summarized in K. Stange's upcoming report.

among the poor.

4. The Bank on San Francisco (BOSF) initiative evolved directly out of the WFC, in terms of the concept, momentum and relationships. BOSF is a new city-bank partnership offering free/low-cost banking services to unbanked families or individuals.<sup>5</sup> The idea originated out of concern that WFC claimants might lose part of their credits to high-cost check-cashers.

- According to one Bank partner, “I would say it [WFC] worked by the fact that it has grown into Bank on San Francisco.”
- A bank representative reflected, “Bank on San Francisco was a natural evolution of the [WFC] program. It started with we need your help to publicize and dollars to support marketing. Then, in preparation for issuing checks it became, we don’t want them to lose money to commercial check cashers....”

5. A rich database has been constructed containing information on more than 16,000 of San Francisco’s low-income working families. The database offers a wealth of information to inform strategic policy making and planning. Data has been gathered from two years of WFC applications, optional surveys, and, to a more limited extent, IRS transcript data. Data from these sources has been merged into a single database and run through the H. S.A. database, enabling cross-referencing with receipt of public benefits (CalWorks, PAES, Medi-Cal, Food Stamps, etc). The Tax Aid database from Year 2 has also been compared to the whole pool of WFC applicants. Findings from data analysis have been presented in user-friendly format to the multi-agency Steering Committee. A number of partners additionally observed two series of focus groups<sup>6</sup> that were conducted with the target population and applicants.

- *Unusual access to data:* “This type of refined data doesn’t exist in most places and it is very uncommon to get in such a useful user-friendly format,” said one partner. “The accessible data can inform planning in this project in a way that is unusual and strategic.”
- *Data-driven decision-making:* The WFC data provides an opportunity for data to drive decision-making on the WFC campaign and beyond. WFC planners have used data to inform the targeting of resources, the definition of program benchmarks and to guide marketing campaigns.
  - Data revealing a low (10%) participation rate in Food Stamps among WFC claimants and an incomplete rate of health insurance coverage among WFC children, resulted in focus groups being used to explore applicants experience and feelings about various public benefits for which their families might be eligible. The findings from both the quantitative analysis and focus groups are informing the planning of WFC leadership as they continue to consider how best to expand the WFC campaign to incorporate a wider range of public benefits.
  - WFC data has provided a feedback loop to program planners that has determined how they targeted outreach resources. Analysis of WFC (and EITC) take-up rate variance among the city’s zip codes and language groups informed a decision by WFC planners in the second, and now the third year, to target outreach resources on the Mission and designated other low-claiming neighborhoods.
  - Information from the focus groups helped planners determine what types of outreach were likely to be most effective with various subpopulations. Targeted outreach to the

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<sup>5</sup> The objective of BOSF is to bring 10,000 of the 50,000 unbanked San Francisco Families into the financial mainstream. More than 12 banks are participating. The program is run as a partnership between the Federal Reserve Bank of San Francisco, the Treasurer’s Office, and EARN (a local nonprofit focused on asset-building).

<sup>6</sup> Approximately six focus groups were orchestrated each year of the pilot with applicants and recipients or eligible cohorts in three languages. (The total number of focus group participants in Year 2 was 46). For more information please see: “Working Families Credit Evaluation Focus Groups,” 10/18/05, by T. Flacke & T. Wertheim; and “Evolving the Working Families Credit, 2006 Focus Group Insights” by T. Wertheim and C. Winterton.

Mission in Year 2 was correlated with a growth rate of applications in that neighborhood that was considerably higher than the City-wide growth rate (22% versus 13%).

- Data generated by the WFC has *informed the policy-making of partner agencies*.
  - Tax Aid: “The neighborhood and ethnic group specific data, and viewpoints gathered in the focus groups and surveys will drive some of our decision-making in the future about which tax sites should provide on-site bank access and about what neighborhoods need increased access to free tax prep.”
  - SFWorks: SFWorks used the WFC data to inform its recent strategic planning process, resulting in an evolution of the organization’s focus toward an emphasis on work supports and access to benefits for the working poor.
- *The focus groups helped explain behavior of the target population*: “Numbers can tell you what people do, but they can’t tell you why,” explained a representative of the Treasurer’s Office. With insight on why the target population(s) make the choices they do, program planners stand a better chance in designing an intervention that will change behavior.

“The data provided such a rich way to understand behaviors and patterns by geography and ethnicity. It forces the group, if they are listening, to realize that a targeted customized approach for changing behavior is needed,” said one partner.

“In my mind, the focus groups showed that the African American community is afraid to save money because they think it will impact their benefit eligibility. The Chinese already have bank accounts. The Latinos are afraid of accepting benefits due to stigma.”

“The focus groups should inform how you provide services to segments of the target population, how you market to them, what services you offer. For example, we know from the data that Chinese community is more likely to use small paid preparers found by word of mouth. We could use this information and specifically target educating or incentivizing small paid professionals/semi-professionals in that community.”

6. Demonstration of data-collection as an essential program activity: In retrospect, City representatives commended SFWorks for promoting the value of evaluation and research despite the temptation to prioritize other activities. SFWorks was credited for pushing WFC data collection, for thinking through what pieces of data would be useful in what ways, and identifying the strategic opportunities to collect and use information. SFWorks advocated for the creation of a WFC survey that accompanies the application, organized and oversaw focus groups with applicants and oversaw and funded the data entry process (scanning and entering surveys), the database development process (subcontracting with database experts, merging survey data with application and IRS data), and extensive data analysis.

7. WFC campaign became a vehicle to expand knowledge about other programs beyond the tax credit. The original (and fundamental) design of the WFC was intended to motivate families in San Francisco to apply for the EITC, as it is an eligibility requirement of applying for the local credit. Over the past two years, the City has capitalized on WFC communication opportunities (such as the brochure, face time with tax preparers at Free Tax Aid or H&R Block, and the letter that went out with the WFC checks) to educate about additional benefits or services. In Years 1 and 2, WFC’s linkage to other benefits was limited to providing information primarily at the time of WFC check distribution. In Year 3 and beyond, the goal is to integrate outreach about other benefits year-round and to more actively see if there are ways to hook-up WFC applicants to benefits for which they are eligible. The (yet to be fleshed out) plan is for the WFC to move from information sharing to proactive engagement.

8. Visibility: The WFC has generated significant local and national attention providing a model about what a City – even a high cost place like San Francisco-- can do to help its low income community.

- “The Mayor, the Treasurer and the United Way are all talking about it. There is a lot of visibility.”
- SF has become a “pilot city,” hosting the National League of Cities conference in the

summer of 2006, with the WFC profiled at the Conference of Mayors and presented at a recent a CFED conference. Moreover, the WFC was just profiled in the DC newsletter, "Congressional Quarterly," and SFWorks was able to secure the Brookings Foundation's interest in co-publishing and promoting a report about the program.

- The WFC idea is spreading even within the banking community. "Within the bank, staff have called me from other cities expressing their interest in supporting similar initiatives."

## Lessons Learned

The experience of the implementing the WFC pilot has demonstrated the following key lessons, several of which have been discussed in previous memos:

- 1) WFC is well liked and well supported. The WFC concept – local EITC – registers well with policy makers, funders, and recipients. In weighing various tools to achieve the WFC's goals, the "marketability" and "no natural enemies" of the program should be viewed as important assets.
- 2) The stated program goals were not measurable. At the end of the pilot we are unable to really say how much the program increased EITC take-up, asset-building, or retention of low income families. Program planners failed to anticipate the difficulty of measuring these goals and the difficulty of capturing a baseline to measure progress against. Whereas program objectives may seem obvious, it is important to formally agree on them early in the process, and to define objectives that can be measured and tracked without insurmountable burden.
  - Program impact on EITC take-up is almost impossible to demonstrate. Proxy indicators for EITC impact could be used to measure, for example, the number of WFC applicants who are applying for the EITC for the first time, however doing so would involve the collection of tax transcripts from multiple years. Unless the City can convince the IRS to grant it electronic access to tax data, the administrative burden of collecting transcripts from multiple years would be overwhelming.
  - Program impact on family out-migration is almost impossible to demonstrate. Evaluators would need a random longitudinal sample of WFC families and non-WFC families, and there is no baseline to compare against.
- 3) The goal of helping WFC recipients build assets is challenging. Asset-building may be an uphill and long-term battle for the target population. Understanding the target market may help in setting realistic goals and keeping expectations in check. Debt reduction may be a more appropriate/realistic initial objective.
- 4) A public/private partnership has a range of competencies that far exceed those of any individual partner or sector. The City has assets that can allow them to do things on a much wider scale than can individual organizations or service providers. However, for many large-scale initiatives like the WFC, the City acting alone would be insufficient. The professional services lent to the WFC by external partners – such as marketing, data collection, strategic planning, evaluation – have added much more value to the project than the City ever could have afforded alone. Without these in-kind – but expensive donations – it is unclear that WFC would have become (or will continue to be) such a success.
- 5) Soliciting and maintaining the support of the private sector requires both an initial strategy and long-term relationship management. The following are some key lessons and considerations derived from the WFC pilot experience:
  - Approach businesses that have a mission to serve (financially or otherwise) the target population. As one WFC bank partner explained, "What they were trying to do in terms of helping people get financial resources, save them and use them wisely fits right in our mission." One private partner suggested, "The ask should align with those businesses

strategically. The request will be a more natural fit for businesses which rely commercially on the target population as their client segment.”

- Among those businesses you are soliciting, consider targeting hometown highly recognizable brands that are head-quartered in that specific city. The value in goodwill will be transparent.
  - In reaching out to the private sector, emphasize the value of a financial jump-start/investment to the initiative.
  - Identify the core strengths of potential private sector partners (e.g., communications, publicity, marketing, etc.) and think creatively about how to leverage them.
  - Try to identify the underlying interests of private sector partners (e.g., access to key officials or a new market segment; public relations) and make sure you help them get it.
  - Keep partners and supporters (even those not involved in the day to day details of the program) regularly informed of the progress, successes and even, the challenges. (Annual program debriefs hosted by SFWorks have been surprisingly well attended by private sector partners and funders).
  - Remember to say “thank you” early and often. It’s even better if the “thank you” is made in public or by an elected official.
- 6) Well-defined roles are critical among collaborative partners. Clear and official agreements spelling out responsibilities and addressing organizational expectations will mitigate frustration among leadership. Partners’ roles are likely to change substantially with institutionalization and program growth. The clearer the City can be about what help it wants or is willing to accept from partners, the better. Such clarification is most important with partners like SFWorks that have been instrumental in program conception and implementation, and whose involvement has been broad in scope. In deciding whether, where and how to involve partners, the City should consider that a partner may not be willing to make substantial ongoing contributions without some jurisdiction of involvement. Partners need to realize that given the City’s intention to take ownership of the WFC, the partner’s ongoing authority in decision-making is likely to be limited, although input may still be valued.
- 7) WFC is a lot of work and takes a lot of staff-time to do it right. “As much as we try to explain the WFC and to document processes, organizations do not understand how big the project is until they start working on it.” The operational tasks are time-intensive, the outreach is time-intensive, the planning is time-intensive, the data collection and self-evaluation is time-intensive. As of November 2006, City staff are concerned that more staff time is needed to get the job done. “You could have a full-time person working on WFC operations only, and their plate would be full. This really requires more staff-time than we have allocated in the City budget to do it right now.”

Effective implementation is vitally important but deceptively challenging. Compared to program design, public relations and even political advocacy and fundraising, operations (e.g. application processing, coordination of technology and customer service) may seem unglamorous. It is easy to underestimate the work required to process 12,000 applications, or to wrongly assume that this work is “routine.”

- 8) Innovation is possible within and among bureaucracies. The WFC and Bank on San Francisco have shown that “no matter how big a bureaucracy you have, you can create a pocket of innovation with the right leadership from the top. It was like the perfect storm. Who the players were, from the Mayor to SFWorks to the Treasury. A high performing team.”

## Opportunities and Recommendations:

Having studied the WFC planning and implementation for more than a year and half, the evaluation team has identified opportunities in the program's future. Below we describe recommendations to capitalize on these opportunities.

- 1) **Opportunity: *Electronic access to tax transcript data could considerably reduce administrative burden and facilitate use of proxy indicators to assess impact on EITC take-up.*** Currently the City receives tax transcript data via paper copies from the IRS. More than 12,000 pieces of paper come in bunches and need to be manually sorted through and reviewed—requiring extraordinary staff time and effort. (In 2006, 2-3 staff were dedicated to sorting through single year tax transcript forms. Were the City to collect paperwork on multiple tax years, the enormity (and absurdity) of the task would at least double. An IRS web site exists in which other cities (those with local income taxes) and states are granted access to tax transcript data. San Francisco could use its political capital to gain access, and once such access is granted, could explore the collection and analysis of multiple year transcripts to help assess impact on EITC take-up rates. Access to IRS data in an electronic format may also help speed data entry, facilitating faster analyses and further evaluation.

**Recommendation: Aggressive pursuit of electronic access from the IRS.** Use all the resources at the disposal of the coalition (Pelosi, Mayor Newsom, H&R Block) to advocate with the IRS. Senior staff at the Treasurer's Office or H.S.A. do not have enough leverage to make headway without "the big guns."

- 2) **Opportunity: *Increase-utilization of data.*** The opportunity exists for the City to use the database for more targeted and proactive outreach, linking WFC applicants to other benefits and resources they may be eligible for, like Food Stamps, public health insurance, and bank accounts. Previously, the City had no way to identify low-income working families eligible for support and, as a result, had to resort to more generic outreach among its network. However, with the WFC database of more than 16,000 working poor families, H.S.A. now has what is essentially an address book of likely-eligible candidates. The value of the database will depend on the City's follow-through and willingness to dedicate resources to take action capitalizing on the rich and unusual data it now has. To date, the exciting options for communication or outreach using the database have not been fully explored. The City could use the database to identify families who are likely to be eligible for, but are not currently accessing, various public benefits and community resources. They could then target these families and communicate with them directly about the resources available to them.

**Recommendation: Commit to a time-table, develop a process, and assign accountability for communicating with WFC applicants about other public benefits and services for which they may be eligible.** There will continue to be many other WFC tasks on the front-burner, and the most likely way to ensure this benefits linkage gets done is to assign staff to the task, establish a plan and a deadline. We suggest involvement of staff from H.S.A.'s Food Stamp division and from the San Francisco Health Plan.

- 3) **Opportunity: *Increase focus on asset building agenda within WFC.*** In moving the program from the Treasurer's Office to the Human Services Agency—and increasing attention to the benefit linkage agenda, there is a risk of reduced attention going to the program's asset-building agenda. Whereas Bank on San Francisco (BOSF) is focused on an important step within the asset-building continuum—getting banked and participating in the financial mainstream—BOSF has a different target population than does WFC. Recent data collection efforts have indicated that approximately 90% of WFC claimants do have bank accounts. Despite the fact that so many of the WFC claimants are banked<sup>7</sup>, claimants are challenged with considerable financial debt, little savings or assets and considerable financial anxiety. A linked and important additional risk in moving the WFC to H.S.A. is the risk of a silo forming between the BOSF and WFC. Because HSA is an expert on benefits rather than on asset-building, and

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<sup>7</sup> Even though large numbers of WFC recipients indicate that they have banking relationships, a percentage still utilize nontraditional financial resources such as check cashers, suggesting an opportunity for financial education of WFC recipients.

because the Treasurer's Office is leading BOSF and not WFC, there is a risk over time that the two programs will become increasingly disconnected, rather than synergetic.

Recommendation: The Treasurer's Office continues to be the WFC partner with the most experience, connections and knowledge in the financial arena. **We recommend that they continue to carry the torch in developing WFC program development in this area.** We suggest that the WFC planning team design new program innovations or strategies targeting debt reduction, perhaps with particular emphasis on medical debt, as focus groups revealed that the target population was very challenged in this area. Because the Treasurer's Office oversees public debt collection they are strategically positioned to innovate in this domain.

- 4) Opportunity: *Start planning as soon as possible to pursue program innovation opportunities.* Delaying the pursuit of program innovations much longer may jeopardize momentum, lose the attention of private funders and not capitalize on resources currently available from partner agencies. Transition of program management (particularly of program operations) to a new program partner is a resource-intensive adjustment. There is so much involved in WFC program operations that it would be difficult for any agency or individual new to the project to make time for visionary planning. Yet, postponing such planning could undermine considerable growth potential that has been established in the first two years of the project.

Recommendation: Given the big picture ambitions of the collaborative (demonstrated by the new program goals) program activities in support of these objectives will require creative planning and a long time horizon. Typically it can take a year to plan and fundraise for a program innovation. The City should begin these processes as **soon as possible**.

- 5) Opportunity: *Define new role for SFWorks and other partners.* As the City institutionalizes the WFC and takes increasing ownership over the program its willingness to share leadership with SFWorks is likely to wane. Whereas the City's growing ownership—and certainly its increased staff size dedicated to the project—is a natural and positive evolution of institutionalization, we *caution against forsaking the involvement of a partner* that has been so instrumental to the program's birth and implementation—and perhaps most importantly, that has valuable resources to contribute.

Recommendation: While organizational politics may ultimately determine the degree of SFWorks ongoing involvement, we recommend that the **City consider whether there is a specialized role**—such as liaison with employers or developer of WFC training materials—**that SFWorks (and other partners) is uniquely positioned to fulfill.** Although sharing implementation duties with an organization outside the City has its costs, one key benefit is that it frees up City resources to focus on other components of the program and capitalizes on strengths that lie elsewhere.

To date there has not been a Memorandum of Understanding between SFWorks and the City detailing roles and responsibilities nor explicitly addressing organizational aspirations and expectations regarding the WFC. **We recommend that such a MOU be drafted** and suggest that the process of spelling out this MOU will be helpful for both the City and other partners moving forward. One section of the MOU should address communication/liasoning with private program contributors (including Block, Group One, McCain) and we suggest that this responsibility be transferred to the WFC Director. Sharing liaison duties among the City and SFWorks has frustrated both the City and SFWorks.

- 5) Opportunity: *Increase City's investment in WFC marketing.* As the City institutionalizes the WFC and as the program ages into its fifth or sixth year --or beyond-- H&R Block's financial support of WFC marketing is likely to diminish. (H&R Block and the City just signed an MOU confirming the continuance of H&R Block's in-kind support through years three and four). Whereas there is agreement that professional marketing has been an essential ingredient to the WFC's success, the City is not currently well positioned to afford (or staff) such professional marketing on its own and therefore is ill-prepared for Block's eventual reduced sponsorship.

Recommendation: **We recommend that a plan be developed to have the City become less dependent on H&R Block's marketing contribution.** One possibility would be to solicit the marketing support of a broader base of new private sponsors. Another possibility may be for the City to match H&R Block's marketing contribution by a designated percentage.

- 6) **Opportunity: Keep advocacy-base informed.** When WFC was still in its program infancy there was considerable community engagement well beyond that of SFWorks, Tax Aid or Acorn. Coleman Advocates, for example played an integral advocacy and visionary role and a number of community based organizations took part in early planning. As the WFC becomes increasingly institutionalized there is a risk of the advocacy base narrowing. While this may be a natural process once a program becomes more internalized to the City (and the community gains confidence that the program is here to stay), a well-informed legislative branch may be critical in the program's future. For example, if and when H&R Block withdraws its marketing resources, a political constituency could play a key role in securing public dollars to offset the loss.

**Recommendation: Keep advocacy organizations and the Board of Supervisors abreast of the WFC success.** For example, each Supervisor should be updated annually about how many WFC claimants reside in their district and how those numbers are changing from year to year. Likewise, it may be worth program stakeholders taking the time to reach out to advocates and keep them informed so that, should the program require more resources or legislative support in the future, they have sufficient information and motivation to mobilize their base.

## ADDENDUM

This addendum is designed to supplement what has been written thus far in this paper and others describing the WFC program goals, WFC staff structure, city agency involvement and the WFC benefit issuance structure. After the official window of the WFC two-year pilot period, key changes took place that may be of interest to other jurisdictions considering the development of a WFC-like program. These three changes are summarized below.

### Revision of Program Goals

In the summer of 2006 (at the end of the two-year pilot) Principals revised program goals because they realized it wasn't possible (or realistic) to meaningfully assess program impact on the original goals, and because there was growing momentum to build upon the WFC's success and expand its brand to include linkage to additional benefits and work supports. The revised goals and objectives beyond the pilot phase are:

**Goal One:** *Increase the amount of federal and state money that San Francisco is drawing down for working families, by:*

- a) Increasing Food Stamp take-up rate among WFC families who are eligible for Food Stamps
- b) Increasing take-up of public health insurance among WFC families who are eligible for it
- c) Increasing tax credits claimed by working families in SF (EITC, childcare, etc)

**Goal two:** *Help families keep more of what they earn, by:*

- a) Increasing revenue (number of families accessing WFC, number of families accessing the EITC who did not access it the year before)
- b) Reducing expenses (reduce cost of financial services, reduce take-up of refund anticipation loans in SF, reduce use of high-cost check-cashing services, increase access to discounted services and products for WFC population)
- c) Establishing basic (and measurable) steps toward asset-building (reduce debt of WFC population, increase percentage of eligible population who have bank accounts and savings products).

To ensure that program planning and activities are guided by these goals (and supporting objectives), the WFC collaborative recently drafted measurable targets for Year 3 program activities and beyond. Where possible, targets are refined to a zip code level, and ideally such focused targets will play a role in informing the targeting of resources (outreach, marketing, access to tax aid, or to benefit offices) moving forward. A current draft is available from H.S.A.

The evaluation team has encouraged program planners to replace original goals with goals that are more measurable. While it appears that the achievement of the revised goals and objectives can be more easily measured, they are still broad in scope and very ambitious. Focus groups findings suggest that fulfilling these objectives will require substantive changes to the administration and outreach of other benefit programs in addition to expanded WFC marketing. Whether or not the City is committed to – and the WFC collaborative is prepared to – develop and implement a broader (and probably full year) initiative that could even come close to achieving these goals (and a system to systematically capture or analyze data to evaluate this impact) is yet to be seen. To evaluate the impact of such an expansion, the City and the WFC collaborative would also need to develop a comprehensive system for capturing and analyzing the data.

### Creating a Program Coordinator Position

Based partially on suggestions made in the Year 1 evaluation, the City decided to create a WFC coordinator position and did so in September of October of 2006<sup>8</sup>. Due to chain of command, that person

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<sup>8</sup> Due to budgeting and bureaucratic issues, the WFC director position was initially a temporary exempt civil service position. The person who was hired for the temporary director has decided that she cannot work full-time and therefore the City is hoping to fill the permanent position with a separate hire. The City is currently recruiting for that post.

would have most control over activities performed by her particular agency, but the hope of program planners was that this person would coordinate and oversee the WFC efforts of numerous agencies and external partners. (In deciding to house the manager within an agency, rather than in the Mayor's Office, the City took a risk that the manager would have limited influence or control over the efforts of multiple agencies.) Evaluators applauded the consolidation of program management in a single individual, but worry that housing that person within a partner agency will limit her ability to monitor and lead the efforts of partners.

### **A New Agency, the Human Services Agency Is Leading Program Implementation in Year 3 and Beyond**

Despite its newly honed skills in effectively operationalizing the WFC, the Treasurer's Office was never designed to manage social programs. The management of the WFC relies on skills and resources that are beyond its core function or mission, and the Treasurer's Office therefore preferred to pass the torch to H.S.A. for Year 3 of program implementation. A number of factors influenced the decision to house this new hire in the City's Human Services Agency.

- (1) Principals agreed that WFC goals should be expanded to link claimants to a wider range of work supports (such as Food Stamps and public health insurance), and H.S.A. is the city agency responsible for administering such programs.
- (2) H.S.A.'s target population has a substantial overlap with the WFC claimant pool.
- (3) H.S.A. has experience managing recipient datasets and using them to inform policy decisions.
- (4) H.S.A. has experience (and resources dedicated to) cutting and distributing checks to a large number of people.
- (5) H.S.A. already does significant EITC outreach to its clients, has experience reaching out to community networks and distributing materials, and manages several free tax preparation sites.

H.S.A.'s new role will include major administrative operations of the WFC (receiving applications, determining eligibility, communicating with the IRS, developing and maintaining a database, issuing and distributing checks, communicating with applicants, key decision-maker on marketing components), oversight of Steering Committee, convener of Principals Committee, and management of program expansion (determination of what linkage to Food Stamps or health insurance takes). By H.S.A.'s own admission, taking over the operational functions of the WFC alone is a huge task that is consuming the resources and dominating the WFC attention of H.S.A. Consequently, it appears that limited attention will be dedicated to innovation in Year 3. So whereas, according to its stated new goals, the WFC will be broadened in Year 3, in fact, only the marketing component is expected to undergo meaningful change. The Steering Committee may explore innovations like providing cash incentives to independent tax preparers, or increasing the value of the benefit issuance amount for first-time EITC filers, in Year 4 or beyond.

### **WFC Benefit Will Be a Flat Amount For All Claimants in Year 3 and Beyond**

WFC principals decided in fall 2006 that the WFC benefit amount in Year 3 will be \$100 for all claimants, as opposed to it being a percentage of their federal EITC credit amount as done during the two-year pilot. The City's rationale for this change included,

1. **Affordability:** with the rising rate in WFC take-up, the City wanted to be sure that its \$1.5 million set-aside in the public budget will continue to be enough to cover the checks. In year 2 the number of claimants was 12,550. With \$100 flat rate the City will be able to cover checks for 15,000 claimants without increasing the public expenditure.
2. **Simplicity:** in terms of planning, marketing and operations, a universal benefit amount is expected to be less complex to administer and – with a new, more simple message – more likely to motivate eligible individuals to apply for the credit.

Partners expressed some frustration that the City made the flat rate decision without providing time for the proffered economic modeling of various options, including one model that would incentivize EITC take-up by providing a higher WFC credit to first time EITC filers. Several WFC partners have expressed their hope

that the City will reconsider its decision in future years.