

The Center on Budget and Policy Priorities' State Network and the State EITC: Growing Together

I. Introduction

In 1975, Congress created the first national Earned Income Tax Credit (EITC). The EITC offers workers earning below a certain income threshold a credit on their income and payroll taxes, and for many, a wage supplement as well. The credit increases as a worker's income increases and then, once a worker passes a specified income threshold, it phases out. If the credit is more than the income taxes a worker would otherwise pay, the worker receives the remainder as a refund.¹

After its creation, the EITC expanded rapidly. At the national level, major EITC legislation was passed in 1978, 1986, 1990, 1993, 2001, 2009, and 2015.² At the state level, over half of states now have their own EITC programs that provide reductions and refunds on state income taxes similar to the ones provided by the federal credit.³ In 2015, 28 million citizens received almost \$66 billion through EITC programs. Today, the EITC lifts more children out of poverty than any other single program or category of program.⁴

The expansion of the EITC over the last forty years is remarkable, especially given that many antipoverty programs have experienced cuts during the same time period. Economists and political scientists as well as policy professionals working at progressive think tanks have begun to try to account for the successful implementation and expansion of the national EITC in the last quarter of the 20th century, but there has been almost no study of the spread of state level EITC legislation.

This report grew out of an earlier study by the Open Philanthropy Project. That report examined the founding of the Center on Budget and Policy Priorities, a D.C.-based think tank focused on advocating for state and federal policies that reduce poverty. In the documents examined and interviews conducted for that study the Center claimed that they “created the concept of state Earned Income Tax Credits and, with our network of state policy organizations, developed state issue campaigns to secure their adoption. Before we started this work, no state had its own EITC; today, 26 do.”⁵ This report evaluates that claim.

My research ultimately revealed a more complicated story than the one told in the quote that inspired this study. While the Center on Budget may not have come up with the idea for the state level EITC or been solely responsible for the expansion of the policy—indeed in every state it has worked with a larger coalition of advocates—since the late 1980s, it has been the largest

¹ Denis J. Ventry, “The Collision of Tax and Welfare Politics: The Political History of the Earned Income Tax Credit, 1969-99,” *National Tax Journal* 53, no. 4 (December 2000) 983.

² Christopher Howard, *The Hidden Welfare State: Tax Expenditure Policy and Social Policy in the United States* (NJ: Princeton University Press, 1999).

³ Jessica Hathaway, “Tax Credits for Working Families: Earned Income Tax Credits,” 20 July 2016 (<http://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>).

⁴ Robert Greenstein, “The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor,” *Cent on Budget and Policy Priorities* (19 July 2005): <http://www.cbpp.org/archiveSite/7-19-05eic.pdf>.

⁵ Quoted in email from Elie Hassenfeld to Suzanne Kahn, March 1, 2016.

organizational champion of both the spread of the policy and the successful campaigns to stop attempts to cut the program in many states. The central conclusions of this report are as follows:

- In the late 1980s, the Center’s work reaching out to state activists and policymakers—along with the work of its close partner at the time, the National Conference of State Legislatures—played a central role in raising awareness of state-level EITC legislation as an option for state legislators.
- In addition, the Center’s work to elevate the EITC at the national level likely contributed to state legislators’ awareness of the policy option and the spread of the policy.
- The successful expansion and growth of state level EITC programs is at least partially the result of the simultaneous and coordinated growth of the Center on Budget and Policy Priorities’ state policy network and a network of funders interested in the exact work the Center’s state network was doing.
- Even when the Center did not have its own state partner organization advocating for state EITC legislation, the Center’s national staff has often provided important resources for state advocates lobbying for initial and expanded EITC legislation.
- The Center cannot claim to have created the concept of a state Earned Income Tax Credit. Wisconsin had adopted (and repealed) EITC legislation before the Center first began to engage with the proposal. Nevertheless, the Center’s work played a central role in creating the conditions for the widespread adoption of the policy.
- Half of the thirty states that have adopted state EITCs had state organizations affiliated with the Center’s State Priorities Partnership before the adoption of the credit. In the other half, while they may not have been responsible for the initial adoption of the EITC in their states, state organizations affiliated with the Center’s State Priorities Partnership have generally become the lead organization in state coalitions advocating for expansions of, or defending against attacks on, state EITC legislation.
- The state budget policy advocacy infrastructure built by the Center and its funders allowed activists to seize moments of political opportunity—for example the passage of welfare reform legislation in 1996—to push their EITC agenda.

State level activism is inherently idiosyncratic, but the creation of a knowledge, activism, and financial infrastructure allowed state organizations inside and outside of the Center’s network to respond quickly to windows of opportunity that allowed for the expansion of state EITC policies.

II. Guiding Questions and Method

To evaluate the Center on Budget and Policy Priorities’ role in creation and expansion of the state EITC legislation, I began with a series of questions: First, what was the Center’s exact role in coming up with the idea for the state Earned Income Tax Credit? Were other organizations

involved and over what time frame did the concept evolve? Second, what was the Center's role in the campaign to pass each state EITC? Did it play roughly the same role in every state? Third, were there other key players in the creation of the state EITC? Are there states where the Center has no state partner but an EITC has been won? Finally I wondered how linked the creation of the Center's state network and the idea for the state EITC were. Could it be that the EITC played a more formative role in the creation of the Center's state network than the other way around? As I addressed each of these questions I also paid close attention to how funders of the Center and its state network may have influenced the answers.

To help frame these questions, I drew on studies of policy diffusion—how policies move from one state to another. In particular, I looked to a 2007 work by political scientist Andrew Karch. Karch argues that policies are more likely to move from state to state when they are highly visible. He identifies two primary ways policies become visible: national debate and the active dissemination of information about the policy by a prominent national organization.⁶ As an organization that both promoted the national EITC and worked to implement state level EITC policies, the Center seems uniquely placed to have helped create both kinds of visibility for the EITC. This report will consider not only how state level activism and direct outreach to legislators supported by the Center's state network helps account for the spread of state EITC programs but also the role national debates encouraged by the Center played in the diffusion of this legislation.

As I dug into the research, I conducted interviews with ten different individuals including the past and current heads of the Center's state network, Iris Lav and Nick Johnson; representatives from one of the Network's earliest and largest funders, the Annie E. Casey Foundation; and the leaders of three state network organizations—the state partners in Kansas, Minnesota and Rhode Island. As a point of comparison, I also spoke to the leader of a Delaware-based, Casey-funded organization that is not affiliated with the Center's state network but has campaigned for expansions to the Delaware EITC.

The leaders of the state network partners I spoke to provided a good range of political experiences: Kansas has had to spend the last half-decade fighting conservatives in state government to protect their EITC program. In contrast, Minnesota and Rhode Island have had the opportunity to work to expand their programs during the same time period. Rhode Island has one of the oldest state EITC programs in the country, dating from before the Center began working on the issue. The Minnesota EITC, on the other hand, was implemented when the Center was an active force in state EITC implementation.

Despite the helpful range of state EITC experiences represented in my interviews, it is important to note some of the limits I encountered. Most importantly, the Center on Budget provided the majority of my contacts with state groups. The Minnesota and Kansas organizations are two state partners whose work on the EITC the Center chose to showcase. That said, I asked the Center to connect me with the director of its Rhode Island state partner organization, and the EITC story I found there as well as the strength of the relationship between the Center and the state partner was quite similar to the one in Minnesota and Kansas. This suggests that the Minnesota and

⁶ Andrew Karch, *Democratic Laboratories: Policy Diffusion Among the States* (Ann Arbor: University of Michigan Press, 2007).

Kansas experiences were not exceptional in the kinds of support that each state organization received from the Center.

III. The Early Histories of the EITC and the Center on Budget: Creating the Conditions for State Legislation through National Implementation

The Earned Income Tax Credit and the Center on Budget and Policy Priorities grew out of the same political moment. In the 1970s, large segments of the population began to turn on the post-war liberal order and the relatively expansive welfare state that had been built since the New Deal.⁷ In 1980, this political turn swept Ronald Reagan to power. The Center was founded as a direct response. Longtime advocates for a liberal welfare state—many who had played central roles in Lyndon Johnson’s War on Poverty—sensed they needed a new kind of organization to respond to attacks on anti-poverty programs, one that could draw on a comprehensive and fact-based understanding of the government budget and its impacts. The increasingly conservative environment the Center was designed to respond to was also one in which the EITC, a new concept, had the potential to do well.

The EITC was born, in part, out of widespread disillusionment with prominent antipoverty programs, mainly Aid to Families with Dependent Children (AFDC), the program the public commonly referred to as “welfare.” In the 1970s and 1980s, politicians often argued that the AFDC program kept people in poverty by encouraging them not to work.⁸ These arguments led to skepticism of not only the AFDC program but also the social workers and administrative agencies that managed the program.

Disillusionment with existing antipoverty poverty programs produced significant policy debates in the 1970s. One idea embraced by some individuals on both the Left and the Right was a Negative Income Tax.⁹ First introduced in the late 1960s, the Negative Income Tax was a policy proposal aimed at creating a guaranteed income through the tax code. Nixon embraced the concept. Throughout his first term, he advocated replacing AFDC with a negative income tax program he called a “Family Assistance Plan.”¹⁰ While the policy never became law it helped create a policy template for what an antipoverty program rooted in the tax system might look like.

While the idea for a guaranteed income fell out of central policy debates in the mid-1970s, Americans’ dislike of the AFDC program continued to grow. This dislike combined with a growing sense of economic unease among middle-class and low-income workers to encourage the EITC. In the 1970s and 1980s, workers responded to stagnating wages and increasing job insecurity in part by expressing their anger about taxes. 1978 saw the first of many tax revolts, a

⁷ Marisa Chappell, *The War on Welfare: Family, Poverty, and Politics in Modern America* (Philadelphia: University of Pennsylvania Press, 2009).

⁸ Marisa Chappell, *The War on Welfare: Family, Poverty, and Politics in Modern America* (Philadelphia: University of Pennsylvania Press, 2009).

⁹ Marisa Chappell, *The War on Welfare: Family, Poverty, and Politics in Modern America* (Philadelphia: University of Pennsylvania Press, 2009), 58.

¹⁰ Marisa Chappell, *The War on Welfare: Family, Poverty, and Politics in Modern America* (Philadelphia: University of Pennsylvania Press, 2009), 65-78.

movement that started with California's Proposition 13 and spread across the country.¹¹ According to political scientist Dennis Ventry, the tax revolts responded to a very real rise in taxes. Between 1972 and 1973 the employee payroll tax experienced one of its sharpest jumps, from 5.2 percent to 5.8 percent. Moreover, in the twenty or so years preceding that spike the share of payroll taxes paid by workers had risen from 1.5 percent to 4.8 percent.¹²

The EITC promised to address working taxpayers' direct concerns about a rising tax burden and the dislike many of them had of existing antipoverty programs at the same time. Ventry argues that in the 1970s, "The EITC appeared to politicians as an attractive, work-oriented, alternative to existing welfare programs. It was both an anti-poverty and an anti-welfare instrument. It complemented national concerns over welfare caseloads, unemployment rates, and the working poor."¹³ In other words, because the EITC was only available to the working poor and because it was a tax credit administered by the IRS instead of a complicated welfare bureaucracy, it served as an antipoverty measure without exacerbating existing concerns about antipoverty programs.¹⁴ Indeed, while the EITC's potential as an antipoverty program was always known, when the legislation first passed in 1975 it was billed as a temporary stimulus package not as an addition to the social welfare infrastructure.¹⁵

The EITC became a permanent antipoverty program in 1978 during the Carter Administration.¹⁶ Unlike other antipoverty programs, the EITC survived and even expanded during the Reagan Administration. The Center on Budget is partially responsible for this surprising expansion. Founded in 1981, the Center on Budget was begun to combat the Reagan Administration's attacks on antipoverty programs and promotion of regressive tax cuts. Bob Greenstein, the Center's founding director who remains in the position today, had successfully led a short-term project to defend existing food and nutrition assistance programs from cuts proposed by the Reagan Administration. The Field Foundation funded this project. Its performance inspired Field to fund a permanent organization to defend a range of social welfare programs using the model that Greenstein had developed to defend food assistance programs.¹⁷

Greenstein recalls that about a year and a half into the Center on Budget's life, the Field Foundation offered the Center funding to begin investigating tax policy from a low-income perspective. Shortly thereafter the Center received a request from a staffer on the Hill for Greenstein to testify at a hearing on the tax burdens of the working poor. Although Greenstein

¹¹ Thomas Borstelman, *The 1970s: A New Global History from Civil Rights to Economic Inequality* (New Jersey: Princeton University Press, 2011), 156.

¹² This increase can be partially explained by the beginning of Medicare payroll tax (Ventry, 993).

¹³ Ventry, 983.

¹⁴ Ventry, 986-987; Robert A. Moffit, "Economics and the Earned Income Tax Credit," in *Better Living Through Economics* (Cambridge: Harvard University Press, 2010), 96.

¹⁵ Alan Berube and Natalie Holmes, "The Earned Income Tax Credit and Community Economic Stability," *Insight* (Fall 2015): <https://www.brookings.edu/articles/the-earned-income-tax-credit-and-community-economic-stability/>.

¹⁶ Jessica Hathaway, "Tax Credits for Working Families: Earned Income Tax Credits," 20 July 2016 (<http://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>).

¹⁷ Suzanne Kahn, "The Center on Budget and Policy Priorities: Building a Responsive Organization that Lasts," http://files.openphilanthropy.org/files/History_of_Philanthropy/CBPP/Case_Study_Center_on_Budget_and_Policy_Priorities.pdf.

said he was not sure the Center had the capacity to do so, the staffer sent him a collection of data on the topic. The numbers Greenstein saw convinced him that the federal tax code was seriously hurting the working poor. He testified on his conclusions, and the Center soon became a lead advocate for expanding the federal EITC.¹⁸

The Center's work on the EITC played a central role in ensuring that the third major tax bill passed under Reagan, the Tax Reform Act of 1986, was not regressive. During the fight over this legislation, the Center successfully helped frame a greatly expanded national EITC as a necessary accompaniment to planned reductions in the income tax for high-income individuals. The national debate about the EITC in the 1980s helped elevate the visibility of the policy, making more state level adoptions possible. The Center's engagement in this debate also helped progressives develop arguments that would prove key to winning state level EITC legislation. In particular, the claim that the EITC served as an important counterbalance to more regressive measures resonated at the state level throughout the 1990s and 2000s.

Until the 1986 Tax Reform Act, the Center had not been involved in state policy. The 1986 Act, however, thrust them into that arena. The 1986 Act broadened the federal tax base while lowering rates. Since most states with an income tax tied it to the federal tax base while setting their own rates this amounted to a windfall for states. Greenstein recalled, "State policymakers found themselves in a situation they loved: They could enact legislation that would be not inaccurately described in their states as a tax cut while maintaining the same levels of revenue as they had before." In response the Center decided that in 1987 it wanted to "do work to persuade states that when they were passing legislation to provide tax cuts, as almost every state was planning to do, one of the top priorities should be ensuring that people below the poverty line were not subject to the state income tax."¹⁹

The Center began this work with a report and a presentation. At the 1987 annual conference of the National Conference of State Legislatures (NCSL), Bob Greenstein gave a presentation on the possibilities of a state EITC during the plenary session. At the time, no state had an explicit EITC.²⁰ That same year the Center published, *The Next Frontier: Relieving State Tax Burdens on the Poor*, a report which also helped put the EITC front and center as an option for states looking to relieve tax burdens on the poor.²¹ Together these two attempts to give the state EITC a solid backing allowed not only the Center but also other organizations like the NCSL to begin to promote the idea.

The *Next Frontier* began by explaining the windfall states were receiving as a result of the 1986 Tax Reform Act and by showing that most states were imposing an undue tax burden on the working poor.²² Indeed, the report argued, "State and local taxes are the greatest tax burden poor families face."²³ The Report then laid out a number of options for state tax reform to address this

¹⁸ Interview with Bob Greenstein, 12 August 2016.

¹⁹ Interview with Bob Greenstein, 12 August 2016.

²⁰ Memo from Erica Williams and Nick Johnson.

²¹ Mike Laracy recalls, "I was working in NJ Department of Human Services at the time as Assist Commissioner for Policy and this report was hugely influential."

²² Interview with Bob Greenstein, 12 August 2016; David Kahan with Robert Greenstein, "The Next Frontier: Relieving State Tax Burdens on the Poor," Washington D.C.: Center on Budget and Policy Priorities, 1987.

²³ "The Next Frontier," 3.

problem including establishing income floors below which households would not owe state income tax, increasing the size of standard deductions, and the EITC among other policy suggestions.²⁴

A couple of states had done some experimenting with their own low income tax credits prior to the publication of the report, but there were no state EITCs consciously modeled on the federal credit in existence at the time. The earliest states to have EITC programs were Rhode Island and Wisconsin. Rhode Island's state level EITC came about automatically because the state's tax code was entirely tied to the federal code. Wisconsin's first EITC was implemented in 1983 but repealed in 1985. Both of these early forays into a state level EITC were non-refundable.²⁵ Unlike the federal credit, which not only reduced taxes but also paid tax filers the amount of the credit they earned beyond the taxes they would have otherwise paid, the state credits could only zero out a filer's taxes. The Center's state work would quickly come to focus not only on implementing state EITC programs, but also ensuring that as many as possible were refundable tax credits. Today, six out of seven of the states that have turned a nonrefundable tax credit refundable had one of the Center's state partners working in the state to advance the legislation.

The 1986 Tax Reform Act not only created the economic conditions for the expansion of state EITC programs proposed in *The Next Frontier*, but also the political ones. The fight around the 1986 Act had served as an important training ground for the activists who would go on to lead state fights. The authors of the *The Next Frontier* explained, "In the past, some advocates for low income people may have felt out of place dealing with state tax policy or intimidated by what they regarded as the complexity of tax issues." But, they continued:

The experience of the past two years at the federal level is instructive. Numerous organizations that had never worked on tax issues before took up the cause of low income tax relief at the national level—and found that they could be highly effective in this area. Federal tax reform shows that low-income advocates can substantially affect tax legislation and can help win significant gains for poor families by their efforts.²⁶

The 1986 experience and the training it provided may help explain why of all the suggestions in the *Next Frontier* report the EITC turned out to have the most support moving forward. Activists who had worked on the federal EITC expansion in the 1986 legislation understood the policy and the arguments for it.

In addition, the 1986 Act led the Center into its first attempt to engage in state-level advocacy. After the Act passed the Center quickly realized that removing the working poor from the income tax rolls while expanding the EITC had created a paradox. Because individuals had to file a tax return in order to receive the EITC even if they technically owed nothing, many of the poorest people eligible for a credit might never receive it. In response, Greenstein began trying to convince a large organization to launch an outreach campaign to ensure that eligible workers would take advantage of the expanded federal credit. Eventually, he decided that the Center

²⁴ "The Next Frontier," 35-42.

²⁵ Interview with Iris Lav, 17 August 2016.

²⁶ "The Next Frontier," 19.

would just have to lead this effort itself. Thus, in the late 1980s the Center launched the first effort to help poor people file their taxes and thus receive their EITC credits.²⁷

The Center’s outreach work built state level partnerships with everyone from mayors’ offices to businesses to churches—any organization that had regular contact with low-income people and could help get the word out about the benefits of filing tax returns. This early effort created a base for state level EITC campaigns and gave the Center some practice at creating a network of state organizations. Greenstein explained, “When we began to do that, in all honesty, it did not occur to me that these outreach campaigns would become, in a sense, bases within their states for advocating for state EITCs. But as state EITCs came on the table, in many areas they began to play that role.”²⁸

The 1986 Tax Reform Act set the stage for the expansion of state EITCs. It created the economic and political conditions for action at the state level. It trained organizations and activists to push for the policy effectively. Perhaps, most importantly, it made the policy more visible than ever. The national debate over the 1986 Tax Reform Act was only the first step in making the policy more widely known. Expanding eligibility for the EITC also increased the policy’s visibility by bringing it into more Americans’ lives. The Center’s efforts to create organizations to help taxpayers enroll in the EITC pushed this visibility even further. If the key to the diffusion of legislation across state lines is visibility, as Ventry argues, then the 1986 Tax Reform Act set the stage for a major expansion of the policy going forward.

II. The State EITC’s Role in Building the Center’s State Network

When the *Next Frontier* was published, Maryland was about to enact an EITC, making it the only state at the time to have an EITC formally modeled on the structure of the federal credit.²⁹ In the next decade, only six more states adopted state-level EITCs.³⁰ After that, state EITCs began to take off. Between 1995 and 2015, 20 states and the District of Columbia adopted an EITC.³¹ This pace of expansion coincided with, and is in part attributable to, the building of the Center’s state level work through the creation and expansion of SPP, but the state EITC also seems to have helped the Center build out its state network.

The Center’s earliest state policy work was ad-hoc and largely driven by requests for support from states. As a result of this somewhat disorganized approach, a 1990 evaluation of the Center’s work funded by the Rockefeller Foundation argued that the organization’s state-level work was not comparable to its federal work. The evaluation recommended the Center either

²⁷ Interview with Bob Greenstein, 12 August 2016.

²⁸ Interview with Bob Greenstein, 12 August 2016.

²⁹ As discussed in the previous section, Rhode Island had a state EITC at the time, but that was because its whole tax code was based on the federal structure. Five other states had low-income credits with their own structures: California, New York, North Carolina, Pennsylvania, and Vermont (“The Next Frontier,” 35.)

³⁰ “State Embrace the EITC,” interactive map:

<http://public.tableau.com/profile/jake.grovum#!/vizhome/EITCstates/StateEITCs> (accessed 22 January 2017).

³¹ “State Tax Credits”: <http://www.taxcreditsforworkingfamilies.org/earned-income-tax-credit/states-with-eitcs/> (accessed 22 January 2017).

abandon state work altogether or hire someone to rethink its approach.³² Interestingly, Greenstein credits the same person for finding the Center's first director of state level work that he credits guiding the Center towards working on state-level EITC legislation: Steve Gold, the Director of Fiscal Studies at the National Conference of State Legislatures.

By the late 1980s, Gold had become in Greenstein's words, "the Center's tutor, our key outside advisor" on state tax policy. According to Greenstein, the state EITC was not even in the initial draft of the *The Next Frontier* report until the idea was suggested by Gold.³³ At the same time that Gold was advising the Center on state income taxes he was also conferring regularly with the associate director of public policy at AFSCME, Iris Lav.³⁴ In response to the suggestions in the Rockefeller-funded evaluation of the Center, Gold suggested Lav as the Center's first director of state policy and then helped the Center convince her to join its team.³⁵ Thus, when Lav joined the Center's staff she had already spent years talking with Gold about state taxes including the short-lived Wisconsin EITC.³⁶ She came to the Center with ideas about state taxes influenced by the same expert that the Center already relied on.

When Lav arrived at the Center, the organization had a limited staff based in Washington doing its state policy work. Lav says this is a flawed model. "You have to have people in the states doing it all the time, all year round, and not drop in work."³⁷ Lav proposed that instead the Center build a network of state organizations that would work first and foremost on state budget solvency. Her goal was to get liberals out of a situation she saw advocates in all too often: campaigning for a new policy or program only to be told by legislators that while the proposal sounded good there simply was not enough money in the state budget to enact it. Lav believed that state-level progressive organizations should get involved in the budget process earlier and advocate creating the fiscal and economic conditions that could support the programs they sought.

Lav and Greenstein took the pitch for the state network to Michael Lipsky, a program officer at the Ford Foundation, and then, with Ford's backing, they brought together groups of funders to discuss their possible involvement in the idea. Those conversations ultimately produced two different organizations, both of which have been key to the expansion of state EITC policies over the last 20 years: The State Priorities Partnership (SPP, formerly known as the State Fiscal Analysis Initiative), the network Lav had envisioned from the beginning, and the Grantmakers Income Security Taskforce (GIST), a foundation affinity group that institutionalized the relationship between funders interested in antipoverty work.³⁸ GIST initially included Ford, the Charles Stuart Mott Foundation, the Annie E. Casey Foundation, the Kellogg Foundation, and

³² Suzanne Kahn, "The Center on Budget and Policy Priorities: Building a Responsive Organization that Lasts," http://files.openphilanthropy.org/files/History_of_Philanthropy/CBPP/Case_Study_Center_on_Budget_and_Policy_Priorities.pdf.

³³ Interview with Bob Greenstein, 12 August 2016.

³⁴ Interview with Iris Lav, 17 August 2016.

³⁵ Interview with Iris Lav, 17 August 2016.

³⁶ Interview with Iris Lav, 17 August 2016.

³⁷ Interview with Iris Lav, 17 August 2016.

³⁸ SFAI was recently renamed the State Priorities Partnership (SPP). For simplicity's sake I refer to it as SPP throughout this report.

the Rockefeller Foundation. At the same time Ford, Casey, and Mott all agreed to fund the Center's new state network.³⁹

SPP launched with a conference in 1993. Thirty state groups were invited to participate in an initial meeting and then apply to be part of the Network. From that thirty, 12 were chosen as a founding cohort. At the beginning, Ford funded every state organization; Casey provided matching funding to any state where the SPP organization chosen was already part of its own network of child advocacy organizations, KIDS COUNT; and the Mott Foundation matched Ford's funding for the rest of the organizations.⁴⁰ The groups were not given an agenda or asked to commit to working on specific issues; but, according to Lav, they did have to agree to work "on both sides of the agenda," on both state budget and tax issues and anti-poverty legislation.

The initial twelve organizations ranged in kind and geography. Lav explained, "We were experimenting, you know, there wasn't anything really like this. Some of them were children's organizations. Some of them were stand alone organizations. Some of them were umbrella groups for low-income advocacy. Some of them we created from scratch, like the California and Maine ones."⁴¹ The initial funders recommended some of the groups as Casey did with some of its KIDS COUNT organizations. Similarly, Ford already funded a group of state nonprofit associations, some of which they recommended for the new Network.⁴² Only some of the original cohort worked out, but the Center learned what worked and what didn't from the initial class. Lav reflected, "This is the best tended network on the progressive side. Basically, if they didn't function, they didn't stay. They got a lot of technical assistance, but if they couldn't do it they were politely asked to leave. We wanted to be proud of the whole network."⁴³

While state SPP partners were not given an agenda, over time many came to work on the state EITC. Leaders of the Network have a number of different theories for why the EITC came to be what one called "almost the single example of a common thread that runs through many of the state groups."⁴⁴ All agree that the state EITC turned out to be a good place for many new organizations in the Network to start their work. Fairly quickly, the Center had a sound body of research to support states trying to begin work on the EITC.⁴⁵ Today, this research takes many forms including, for example, an EITC toolkit that includes mini toolkits for states on "the defensive" and states on the "offensive" and the time and availability of experts in D.C. who help states work through policy proposals on the ground.⁴⁶ In addition to the wealth of support and existing materials new state partners could draw on when working on the EITC, the policy is also a good place to start state tax advocacy because the existence of the federal credit improves its effectiveness as an antipoverty program. By piggybacking on the federal structure, states both

³⁹ Interview with Michael Laracy, 2 September 2016.

⁴⁰ Interview with Iris Lav, 17 August 2016; Interview with Michael Laracy, 2 September 2016. In the intervening years, Casey has come to fund SPP organizations that are and are not part of the KIDS COUNT/KIDS COUNT Network.

⁴¹ Interview with Iris Lav, 17 August 2016.

⁴² Interview with Michael Laracy, 2 September 2016; Interview with Iris Lav, 17 August 2016; Interview with Nan Madden, 14 September 2016.

⁴³ Interview with Iris Lav, 17 August 2016.

⁴⁴ Interview with Nick Johnson and Erica Williams, 9 September 2016.

⁴⁵ Interview with Michael Laracy, 2 September 2016; Interview with Iris Lav, 17 August 2016.

⁴⁶ Center on Budget and Policy Priorities, EITC Toolkit.

have an easier time creating the credit technically and increase the number of eligible taxpayers who know about and use the credit.⁴⁷

The EITC's broad popularity also helps explain why so many state groups have worked on it. Nick Johnson, the Center's current Senior Vice President for State Fiscal Policy explained, "You can sell it in a red state, a blue state, and a purple state. It applies to a lot of different sectors of the economy—it's urban, it's suburban, it's rural. Obviously, it's not a universal benefit, but there is a breadth to its appeal that enables it to fit into a lot of different state fiscal and political contexts."⁴⁸ Erica Williams, Director of State Policy Initiatives at the Center added that the EITC not only speaks to many different political persuasions but also addresses a wide range of issues state groups have on their agendas. "Groups in our Network are very interested in supporting low income communities and EITC does that," she said. "They are interested in tax fairness and EITC helps to improve state and local tax systems; they are interested in fostering school readiness and EITC has been shown to do that.... The EITC can fit into a lot of bigger conversations that are happening."⁴⁹

The EITC's popularity has also allowed broad coalitions to form around enacting state EITC legislation. Johnson notes, "The breadth of the state-level coalitions that support EITCs is certainly one of its strong suits, from faith groups to unions, corporate employers to human services advocates."⁵⁰ At both the national and state level, the Center has worked closely with partner organizations as it has advanced legislation.

In addition to helping new members of the state network get oriented, state EITC fights have also inspired activists in states without an SPP partner organization to found one. An example of the latter role of the EITC in building out the SPP network comes from Washington D.C. Like many states, Washington D.C. instituted a local EITC prior to having an SPP partner organization. But, it began its work after the creation of SPP when the Center and Lav were already deeply involved in state EITC work. In 1996, D.C. convened its periodic D.C. Tax Revision Commission and the mayor appointed Lav, a D.C. resident, to sit on it. Lav recalled that after the Commission issued its report, the chair of the City Council's finance committee proposed a tax cut oriented toward high-income taxpayers. Dissatisfied with the direction of the proposal, advocates in D.C. came to Lav to ask her to help "fight this thing." Lav remembered, "There was no D.C. Fiscal Policy Institute to do it."⁵¹ Using the same playbook that had been around since the 1986 tax reform act fight, Lav successfully argued that if D.C. was going to revise its tax code to help the rich it should "do something for the other end too, a D.C. EITC."⁵² According to Lav, the D.C. victory, "made everybody think we need a permanent group here." The D.C. Fiscal Policy Institute, SPP's D.C. partner organization, was born. When the next D.C. Tax Revision Commission was convened, the executive director of the D.C. Fiscal Policy Institute had a seat on the Commission.⁵³

⁴⁷ Interview with Nick Johnson and Erica Williams, 9 September 2016.

⁴⁸ Interview with Nick Johnson and Erica Williams, 9 September 2016.

⁴⁹ Interview with Nick Johnson and Erica Williams, 9 September 2016.

⁵⁰ Email from Nick Johnson, 20 July 2017.

⁵¹ Interview with Iris Lav, 17 August 2016.

⁵² Interview with Iris Lav, 17 August 2016.

⁵³ Interview with Iris Lav, 17 August 2016; "Members of the D.C. Tax Revision Commission": <http://www.dctaxrevisioncommission.org/members> (accessed 22 January 2017).

The Center's state network was not formed to enact state EITCs. It has a much broader mandate to work on state budget priorities, tax policy, and antipoverty programming at the state level. But, the programming support the Center has built around the EITC and the broad interest many states have in the policy has meant that the EITC has helped the Center expand and strengthen the SPP network over the years.

III. The Network and Center's Role in Building the State EITC

While the campaigns for state EITC legislation have helped build the state network, the Center has also played a key role in winning a state EITC in over half of the states in the U.S., both those states that have network partners and those that do not. Moreover, over the last two decades the Center has helped to push back against attempts to cut the EITC and to enhance existing state EITC programs. Prior to the Center beginning work on the state EITC legislation no state had a refundable tax credit; now the vast majority of state EITCs are refundable.⁵⁴ Of course, determining exactly how much responsibility the Center and, in particular SPP, can claim for the expansion of the state EITC is impossible. But we do know that when the state network was founded in 1993 six states had EITC programs. Between 1997 and 2007, 15 more states adopted EITC legislation. The Network has a state partner organization in all but two of these states, Delaware and Indiana. Some of these organizations pre-dated their state's EITC legislation and led their state to implement the policy. Some of these organizations were founded after an EITC was won in their state, but as in the case of the D.C. Fiscal Policy Institute, even these groups often had roots in state EITC campaigns supported by the Center, and once they began operations, they often worked on and led efforts to expand their states' existing EITCs.

During the ten years between 1997 and 2007, the state network and its funders grew and matured. Lav recalled, "In the 2000s there was a really big expansions of the number of groups in SPP. And very often one of the first things a group would do was work on an Earned Income Tax Credit because it was something that was a little bit less controversial." In very similar terms to Williams and Johnson, Lav explained that state partners worked on the EITC first because "it was something that you could get middle- of-the-road and even Republican support for. And there was plenty of resource material, you didn't have to invent it by yourself."⁵⁵

In addition to the readily available materials, during these years funders also began to provide additional resources for groups pursuing state EITC legislation. While state network funders are clear that they do not push states to work on specific issues, believing that what works in one state is not always best for another and that people on the ground know best, many GIST funders have consistently made extra funding available to states that are pursuing EITC work.⁵⁶ Since 2012, much of that funding has been in the form of rapid response grants, which GIST launched to help state organizations push back against attacks on state tax credits. GIST has since expanded the rapid response grant program to support both defensive and offensive campaigns

⁵⁴ "Policy Basics: State Earned Income Tax Credits": <http://www.cbpp.org/research/state-budget-and-tax/policy-basics-state-earned-income-tax-credits> (updated 17 June 2016, accessed 22 January 2017).

⁵⁵ Interview with Iris Lav, 17 August 2016.

⁵⁶ Interview with Michael Laracy, 2 September 2016; Interview with Nick Johnson and Erica Williams, 9 September 2016.

around state tax credits.⁵⁷ As of March 2017, GIST had awarded a total of \$864,000 in rapid response grants to organizations in 19 different states.⁵⁸ States awarded a grant generally receive anywhere from \$10,000 to \$75,000 to support their EITC work for the year.⁵⁹

The Center along with the Hatcher Group plays a key role in guiding GIST's work on the EITC. It performs the "scan to inform the funders of where threats and opportunities for the state EITCs exist" and "advises the funders on which opportunities seem the most ripe." The Center has also "led some of the rapid response fund's efforts to conduct public opinion polling and focus groups to better grasp understanding and attitudes around the federal and state EITCs."⁶⁰

In addition to the supplemental funding provided to groups working on state EITC legislation, funders have also offered enhanced technical support with the help of the Center. For example, following the Center-led, GIST funded public opinion polling, the Center offered webinars and message guides to help state GIST grantees understand the study's results. Similarly, the Casey Foundation brought the Hatcher Group, a progressive communications firm, on board to help state partners develop their messages around the state EITC.⁶¹

On their own the increased state advocacy capacity created through the Network and its funders along with CBPP support might account for the dramatic expansion of state EITC's, but political and economic events also created the environment for two big pushes to expand and strengthen state EITC legislation over the decade. The first event that contributed significantly to the expansion of state EITCs was the passing of welfare reform in 1996. The 1996 legislation, the Temporary Assistance for Needy Families program (TANF), changed welfare in a few different ways all of which contributed to a policy environment that shifted the emphasis of antipoverty legislation towards helping the employed poor. First, TANF created lifetime limits on the number of years any individual could receive government support. Second, the legislation required TANF recipients to be employed or participating in community service/vocational training programs. Third, TANF changed how states received federal funding for antipoverty programs. The first of these two reforms meant there would be more poor people in the workforce and ineligible for traditional forms of government support. The third reform, the switch to block grants, allowed states more latitude in how they spent the money marked for welfare payments.⁶²

Welfare reform thus demanded new approaches to antipoverty legislation. Lav believes welfare reform created new political sympathy for the EITC. She said, "The welfare reform act in 1996 put a lot more emphasis on work, for better and for worse. So following that, people—even conservatives, or at least semi conservatives, were more open to ways to help people work because there was an understanding that TANF only went so far... I think that that may have

⁵⁷ Interview with Nick Johnson and Erica Williams, 9 September 2016; "EITC Rapid Response Development Fund: <http://www.gistfunders.org/EITCRapidResponseFund.php> (accessed 22 January 2017).

⁵⁸ <http://www.gistfunders.org/EITCRapidResponseFund.php>.

⁵⁹ <http://www.gistfunders.org/documents/2016RRFSummary.pdf>.

⁶⁰ Memo from Erica Williams and Nick Johnson.

⁶¹ Interview with Iris Lav, 17 August 2016.

⁶² Alana Semuels, "The End of Welfare as We Know It," *The Atlantic* (April 2016), <http://www.theatlantic.com/business/archive/2016/04/the-end-of-welfare-as-we-know-it/476322/>.

created some sympathy. People recognized that there would be lots of people going in to low-wage work and thought, ‘let’s see if we can help them out.’”⁶³

The Center had opposed the TANF legislation, but it also understood that the EITC could soften some of TANF’s more harmful impacts. The organization used the implementation of the new legislation to push states to expand their EITC programs in multiple ways. To start, the Center weighed in on the new federal regulations written to implement the law. The Center successfully pushed to limit the use of state TANF dollars to the refundable portion of the EITC. This prohibited states from using TANF dollars to simply supplement a tax cut. Instead, if they wanted to use TANF to expand their EITC programs, states had to be affirmatively providing cash supplements to the working poor. After the regulations were adopted the Center worked with states in the Network to help them figure out how their states could responsibly use TANF dollars to win refundable EITC legislation.⁶⁴

Many of state policy experts I spoke with remembered welfare reform as a formative moment in their state’s EITC history, whether or not their state had an EITC program prior to the reform. Nan Madden, the head of the Minnesota Budget Project, the SPP network partner in Minnesota, recalled getting involved in expanding the state EITC in the context of welfare reform. At the time Madden was working for a different organization, Family & Children’s Service (now called The Family Partnership) and the SPP partner in Minnesota was just getting its footing.

At Family & Children’s Service, Madden was a policy advocate who had been studying how Minnesota should respond to the effects of federal welfare reform. In this capacity, she became aware of research on the impact of wages, the welfare grant, and state and federal taxes that demonstrated the “cliff effects” faced by families participating in Minnesota’s welfare system that made it difficult for these families to get ahead financially. Says Madden, “I was thinking well, we don’t have a very good ability to affect the federal policies. We can’t get a larger cash grant or slow down the phase out; but the state EITC seemed like the part of that picture where there seemed like the most potential to have some success and respond.”⁶⁵ Minnesota’s EITC had been created in 1991, and state policymakers had already approved an increase in the credit that was due to take place in the 1998 tax year.⁶⁶ In the 1998 Legislative Session, Madden’s organization took the lead convincing the legislature to not only further expand but also restructure the state EITC in order to counteract some of other factors that reduced overall financial resources when a family’s wage income went up.⁶⁷

The Minnesota story is illustrative of two key points about the history of the state EITC and the Center’s role: (1) the intersection of state and national politics and (2) the intersection of the state EITC’s growth and the growth of the SPP Network. Minnesota organizations were able to seize on an opportune intersection of federal and state politics to win a restructuring and expansion of their state EITC. Key in Minnesota was not only activists’ desire to respond to federal welfare

⁶³ Interview with Iris Lav, 17 August 2016.

⁶⁴ Email exchanges with Bob Greenstein, 26 November 2016.

⁶⁵ Interview with Nan Madden, 14 September 2016.

⁶⁶ Interview with Nan Madden, 14 September 2016; Nan Madden, “Minnesota: Expansion of state EITC tax credit makes work pay for welfare families,” *Poverty Research News* (Winter, 1999), p. 25.

⁶⁷ Interview with Nan Madden, 14 September 2016.

reform, but also that the state was experiencing significant budget surpluses and was looking at enacting tax reductions, creating the financial conditions to make the case for the state EITC as a tool for both advancing family economic stability and creating a more equitable tax system.

Notably, the leader of this effort, while not initially working with the SPP organization, moved over to work for the SPP partner in 1999 relatively soon after the EITC campaign. Fighting for state-level EITCs has trained the leadership of state network partners to work on state tax policy. In recent years, the Minnesota Budget Project has become the lead on legislative campaigns to expand the EITC in Minnesota and been able to draw on the Network's extensive resources in implementing their campaign.⁶⁸ This is true for all of the Center's state partners with which I spoke. Even if they did not lead the original push to win state level EITC legislation, over the last two decades, the organizations have ultimately taken the lead in defending and pushing to expand state EITC policies.

1998 was also the year that progressive activists in Kansas won a state EITC. Although Kansas did not yet have an SPP organization, activists for the state EITC worked closely with the Center throughout the process. Like Madden in Minnesota, one of the lead advocates for the EITC in Kansas at the time, Carol Smith, the policy director at United Community Services also linked her interest in the policy to welfare reform. She recalled meeting with a Kansas welfare reform advocate in 1997 who provided her with a backgrounder document on the EITC that she believes was written by the Center on Budget. Inspired by the document, Smith's group began lobbying for the inclusion of a state EITC in the Republican governor's package of tax credits in the coming legislative session. Smith credits the Center on Budget for being on hand as an essential resource throughout the legislation session that followed. She wrote:

I am not sure at what point that I contacted the Center on Budget and Policy Priorities for advocacy advice and help, but we called upon them often especially during the session. I would call CBPP to tell them the types of attacks we were hearing; they were always helpful in helping to reframe and respond. I remember asking them for Republican quotes on support for EITC and using those in my earliest advocacy handouts!⁶⁹

Although Kansas passed its first EITC in 1998 and Minnesota expanded an existing policy, the Kansas story shares much in common with the story in Minnesota in that year. As in Minnesota, welfare reform advocates were the initial instigators of the policy proposal in Kansas, and, as in Minnesota, planned tax reforms provided the opportunity to move a legislative package that included an EITC. The Kansas case, however, also provides insight into the active support the Center provided to states that were not part of their network, but which nonetheless were working towards passing an EITC. The Center has since created a state partner in Kansas, which has led a successful, multiyear fight against cuts to the state's EITC program.⁷⁰

The second big expansion of state level EITC legislation came in 2007-2008. Here too the interplay between state and national politics and economics was on display. The Network's longtime grant officer at the Casey Foundation, Michael Laracy, explained, "In a bit more than

⁶⁸ Interview with Nan Madden, 14 September 2016.

⁶⁹ Email from Carol Smith to Suzanne Kahn, 8 September 2016.

⁷⁰ Interview with Annie McKay, 29 August 2016.

just one year – 2007 and early 2008 – the investments of a few national foundations have helped influence policy-makers in 11 states to either create or expand their EITCs, providing an additional \$1 billion in the pockets of working families over five years.”⁷¹ Laracy believes the success of this collaborative grant making effort was the result of spotting an opportunity in state politics. He wrote:

In the summer of 2006, we recognized that strong budget balances and favorable political environments in many states augured well if we and our national and state-level partners increased our efforts and focused strategically on a dozen of the most promising states. We asked our partners – CBPP, The Hatcher Group and our state networks – to redouble their efforts, to collaborate even more closely, and to work with other allies, including unlikely allies whenever possible. Significantly, the Annie E. Casey Foundation modestly increased its investments for technical assistance and communications advice, as well as made a half-dozen small grants to key state-based groups to support their efforts.

In 2007 alone, 10 states created or expanded their EITCs. Following this effort, in 2009, SPP won an Award for Distinguished Grantmaking through Collaboration from the Council on Foundations.⁷² The basic structure recognized by this award—the strategy of collaborative grant making and campaign planning through a partnership between foundations, many associated with GIST, the state network, and groups offering technical support—remains in place today.

Rhode Island’s recent campaign to expand the state EITC provides a window into how these funding packages and campaigns leveraging political opportunities and the Network’s resources take shape. In 2015, the Rhode Island SPP partner, the Economic Progress Institute, received a rapid response grant from the GIST network. Their application was timed to take advantage of the opportunity provided by Rhode Island’s new, progressive governor, Gina Raimundo. With the grant, EPI put together a campaign to win increases in the size of Rhode Island’s EITC credit.

The Rhode Island campaign utilized not only the lobbying and progressive policy expertise of the Economic Progress Institute, but also leveraged the grassroots reach of Volunteer Income Tax Assistance (VITA) sites that helped people enroll in the EITC—sites like those the Center on Budget pioneered in the 1980s. VITA sites have come to play an important role in the growth of state EITCs. Mike Laracy of the Annie E. Casey Foundation notes, “Many of the members of the EITC funders groups, including Casey, have been supporters of VITA sites. Even funders who don’t support policy advocacy do feel comfortable supporting VITA sites. In turn VITA sites are very often important members of EITC coalitions.”⁷³

The Rhode Island Economic Progress Institute’s EITC expansion campaign was modeled on the work of other SPP organizations, in particular in North Carolina. The campaign began by asking

⁷¹ Michael Laracy, “Jump in State EITCs Results from Foundation-Funded Efforts,” supplied to author by Michael Laracy.

⁷² Council on Foundations, “Press Release: The Council on Foundations Celebrates Philanthropic Leaders Announces Annual Award Recipients,” 7 April 2009.

⁷³ Email from Mike Laracy, 18 July 2017.

people who visited VITA sites to fill out postcards to state legislators asking them to increase the size of the state EITC. The VITA-hosting agencies provided opportunities for clients to fill out the postcards before or after their meeting with VITA staff and not as part of their VITA visit. The Economic Progress Institute collected and delivered the post cards, tracking them so that when they lobbied a particular legislator they could say, “We know you’ve heard from a certain number of constituents that this is important to them.”

Rhode Island EPI received significant support from the Center and the network for its post-card campaign. In addition to drawing the model for the campaign from another SPP partner organization, the Center helped EPI connect to funding opportunities, develop messaging, and find the technical studies and experts that could help make their case.⁷⁴ In Rhode Island, the Hatcher Group tested effective messaging for these cards, which were designed to educate state legislators about the value of the tax credit.⁷⁵ The organization also utilized data released by Brookings that calculated exactly how much money had come into each legislative district as a result of the federal EITC.⁷⁶

The kinds of support illustrated in the Rhode Island story are the kinds of support that state network organizations said over and over they relied on from the Center during EITC campaigns. The state organizations affiliated with the Center are all small shops; they have an average of 5 staff in each state. In contrast, there are 24 staff working at Center’s D.C. office who are devoted entirely to state policy.⁷⁷ The Center describes the close relationship between the D.C. staff and state partners as follows:

We are on call for their efforts on an ongoing basis. We connect groups with windows of opportunity to secure funding for their state EITC work (through the rapid response fund or direct re grants from CBPP); we help them understand what research tells us about the benefits of the EITC and keep them updated as new research becomes available; we help them model different EITC designs and crunch data on who gets the EITC and the credit’s poverty reduction effects; we help them push back on arguments in opposition to state EITCs, like the EITC error rate; we help them plan their strategy; we connect them to groups in other states that have faced similar barriers to creating or expand a state EITC and have experience with strategies that have been effective in addressing those issues; we talk to their partners or at their conferences about state EITCs; and we review many of their analyses and other materials before the analyses are issued.⁷⁸

The extent of this support dramatically increases the capacity of each state organization to respond quickly and effectively to events at the state level.

⁷⁴ Interview with Annie McKay, 29 August 2016; Interview with Nan Madden, 14 September 2016; Interview with Rachel Flum, 27 October 2016; Interview with Nick Johnson and Erica Williams, 9 September 2016.

⁷⁵ Tax Credits for Working Families (Initiative of the Hatcher Group), “Harnessing Momentum to Increase the EITC: Lessons form Rhode Island’s Campaign.”

⁷⁶ Interview with Rachel Flum, 27 October 2016.

⁷⁷ Email from Leigh Gibson, 2 March 2017.

⁷⁸ Memo from Erica Williams and Nick Johnson.

In addition to this kind of day-to-day support, the Center has also helped advance the EITC by bringing state advocates together for a yearly policy conference for the better part of the last three decades. At this conference both State Priorities Partnership organizations and other state advocates regularly have the opportunity to participate in workshops and trainings regarding the EITC run by Center staff.⁷⁹

At the same time, this conference gives state organizations the chance to connect with each other. Each state affiliate I spoke with was also careful to point out that the help and connections they benefited from as a result of the Network come from other state partners as well as the Center itself. For example, Nan Madden of Minnesota told me, “A central and defining characteristic of the Network and why it’s so successful is not only the connection to the Center and all they have to offer but also the learning from each other among the states.”⁸⁰ Because it provides the greatest source of commonality across the state partner groups, the EITC campaign in particular has allowed this strength of the Network to shine. Critically, for members of the Network, when political opportunities arise all of this support is already in place to be leveraged.

IV. A Counterexample

While the Center on Budget’s State Network has indisputably played a vital role in expanding state level EITCs, many states had EITCs long before they had a state network partner organization and a few states have EITCs and no network partner at all. When evaluating the Center’s role winning state EITCs it is thus worth asking about the states with EITCs and no state network partner organization, for example, Delaware.⁸¹ Delaware has had an active EITC expansion campaign in the past decade without a SPP organization to help lead the charge. I spoke with Janice Barlow, the executive director of KIDS COUNT in Delaware, which is part of the Casey KIDS COUNT Network but not SPP, about her experience taking the lead on this campaign. The experience she described in Delaware was, in many ways, remarkably similar to the story of the campaign in Rhode Island, but also had key differences that help to illuminate what is unique about SPP and the Center’s work on the EITC.

Delaware has had a non-refundable EITC since 2005.⁸² KIDS COUNT has been tangentially involved in the debates around the program since their early days, but as an organization it only began to work formally and directly on the state EITC in 2011. Prior to that, KIDS COUNT’s involvement was largely via its former executive director, Terry Schooley, who was also a member of the Delaware State House of Representatives. In that position, Schooley headed up a Task Force on Child Poverty and Economic Opportunity in Delaware. Drawing on research support from KIDS COUNT, in 2009 the Task Force produced a report with recommendations

⁷⁹ Memo from Erica Williams and Nick Johnson.

⁸⁰ Interview with Nan Madden, 14 September 2016.

⁸¹ <http://statepriorities.org/>.

⁸² Erica Williams, “States Can Expand Earned Income Tax Credits to Build a Stronger Future Economy,” <http://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build-a> (Updated 19 January 2016).

that included making the Delaware EITC refundable.⁸³ Notably, the report relied significantly on research conducted and published by the Center on Budget.⁸⁴

Supporting the Task Force's work piqued Delaware KIDS COUNT's organizational interest in the EITC. In 2011, the organization received an extra grant from the Casey Foundation to create an issue brief on the EITC. This initial brief argued for making the tax break refundable. KIDS COUNT in Delaware followed this brief with a series of data snapshots released in 2014. These snapshots are similar to the ones produced in Rhode Island around the same time and drew on the same data from the Brookings Institute. Each snapshot documented how much money a state house or senate district received from the federal EITC.

The research products produced by KIDS COUNT Delaware and the Rhode Island Economic Progress Institute were very similar. The major differences between the two experiences seem to have been (1) how proactive each organization was willing to be as an advocate moving the material they had produced and (2) the depth of support they could draw on from national organizations. For example, during the Rhode Island post card campaign the Economic Progress Institute managed the delivery of the information to state electeds. In contrast, Delaware KIDS COUNT developed similar district-by-district materials but relied on other organizations—for example the American Association of University Women and the League of Women Voters—to move the materials to relevant stakeholders.⁸⁵

The role national organizations played in supporting the Rhode Island and Delaware campaigns provide another striking difference between the experience of SPP and non-SPP states. For example, Rhode Island's campaign received direct support from both the Center on Budget's national staff—which helped them conceptualize and execute the postcard campaign from start to finish—and the Hatcher Group, whereas Barlow merely listed publications by the Hatcher Group and the Center as resources that Delaware was able to draw on.⁸⁶ (The Center does remember working directly with the group at various points over the years.⁸⁷) In my conversations with the director of the Rhode Island SPP organization, she mentioned successfully leveraging the experience of a number of SPP states when designing Rhode Island campaigns. In contrast, the Delaware staff had drawn on published materials from other states but without the state network, cross-state exchange seemed to be less of a consistent practice.

The Rhode Island campaign was successful, while the Delaware campaign was not. The differences enumerated here are certainly not enough to explain these disparate outcomes, but they may have contributed. The most likely explanation for the different outcomes is different state budget and political conditions. While both states had Democratic governors during these years, according to Barlow in Delaware politics has revolved around the need to cut the state's budget. In Rhode Island, there has been more opportunity for progressive spending. It is important to remember, however, that proactively working to prevent budget situations like the one in Delaware is what the Center's state network is designed to do.

⁸³ Interview with Janice Barlow, 13 October 2016.

⁸⁴ <https://www.sppa.udel.edu/ccrs/Lists/Publications/Attachments/340/2011%20issue%20brief-%20EITC.pdf>.

⁸⁵ Interview with Janice Barlow, 13 October 2016.

⁸⁶ Interview with Janice Barlow, 13 October 2016.

⁸⁷ Memo from Erica Williams and Nick Johnson.

Given these differences, I asked Barlow if KIDS COUNT in Delaware had ever looked at becoming an SPP affiliate. She told me that they did consider the possibility a few years ago, but for a variety of technical reasons they ruled it out. The main barrier was that KIDS COUNT in Delaware receives state funding, which the Center discourages its state partners from doing.⁸⁸

The Delaware experience makes clear that it is possible for states to benefit from the broader organizational and informational infrastructure that has built up around the state EITC over the last two decades. The Center's leadership has played a pivotal role in creating this infrastructure, but state organizations can take advantage of it—the funding opportunities and much of the research—without being a member of the Center's State Priorities Partnership. Indeed, the Center offers technical support not only to its state partners, but also to any state organization receiving a GIST grant. Yet, unsurprisingly, it does seem that states that are part of the Network are better able to take advantage of these resources. Perhaps more importantly, when evaluating the Center's claim to have played the primary role in driving state EITC legislation, it is hard to imagine any of this infrastructure being created without the Network, with which the Center plays a pivotal role. Funders' ability to move their investments—whether financial or knowledge-based—through the state network has provided a skeleton on which to build an EITC program and a ready training ground for developing best practices.

V. Conclusion

In multiple ways, the Center on Budget and Policy Priorities can claim to have played a central role in ensuring that the state EITC has become a widespread and important antipoverty program. Its work as the leading advocate for the national EITC has been crucial to creating the conditions for state EITC legislation's expansion and diffusion across state lines, as has the Center's commitment to creating a state fiscal policy and advocacy infrastructure.

Iris Lav, who first proposed the structure of the state network, insists that state policy is about the art of the possible, recognizing windows of opportunity and seizing them. The Center's state network and the network of funders that it helped build along side it have created a nimble infrastructure to take advantage of these opportunities. Each SPP state I spoke with talked about how state and local politics and economics came together to create the specific conditions for a successful campaign, but if the infrastructure had not been in place—had there been no rapid response grants, prepared messaging, and hands-on research and advocacy support—these states would have had a much more difficult time seizing the moment. It is certainly possible for state organizations to move state EITC legislation without the Center's support, but they will almost inevitably end up drawing on the resources that the Center helped build.

VI. Further Research

Further research on state EITC legislation and the Center could go in a few directions.

- One promising direction would be to further research the many states that adopted EITC legislation prior to the existence of an SPP network partner in the state. It would be useful

⁸⁸ Interview with Janice Barlow, 13 October 2016.

to dig further into the campaigns that won the initial state legislation in these states. That study could ask which organizations were involved in those campaigns and how/if they engaged Center's research. It would also be interesting to know if they worked with the Center's network of EITC recipient outreach organizations.

- Another direction for further research would be looking more closely at how the Center has supported state partners that have had to campaign to prevent their state's EITC legislation from being rolled back. The Center has played a significant role in these fight-back campaigns, especially in Kansas, and it would be interesting to investigate that work further.
- Another option for further research would be to bring more focus to the funders behind state EITC efforts. In addition to GIST, which brings together large, national, private foundations interested in economic security work, there is the EITC Funders Group, a collection of several dozen smaller foundations that support EITC outreach, tax prep, and state policy advocacy. Both are coordinated by Amy Nagle of Nagle and Associates (<http://www.nagle-associates.com/projects/index.php>).