

# Memo

**To:** Tse Ming Tam, United Way of the Bay Area

**Cc:** Kristy Koberna, Tax-Aid

**From:** Kelly Batson and Tracey Helton

**Date:** May 9, 2007

**Re:** Proposed FAIR Program Evaluation

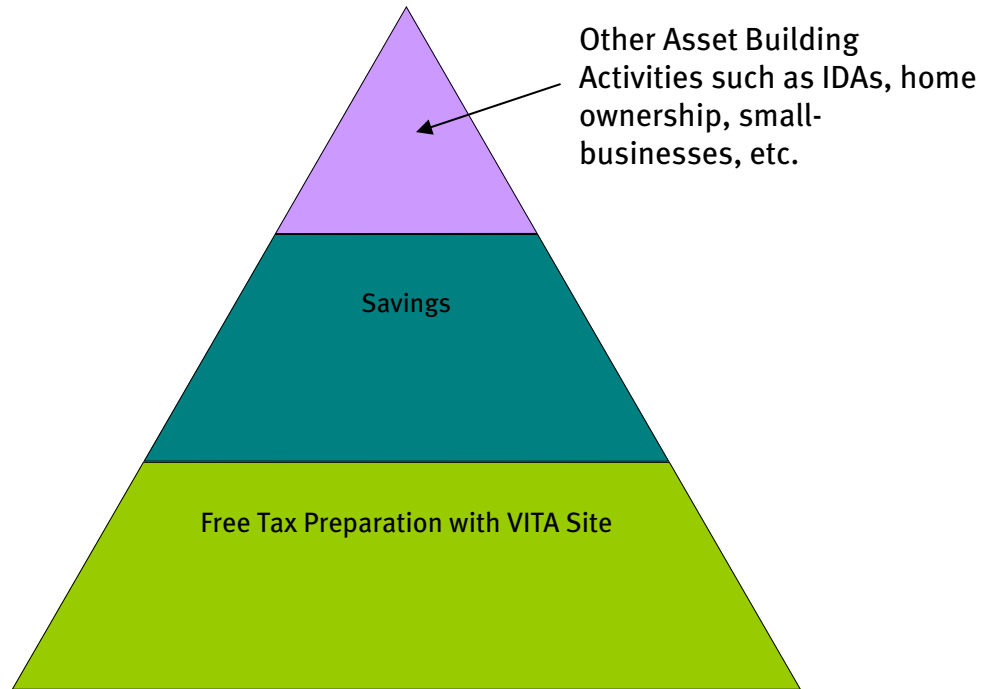
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## Introduction

A number of factors indicate the need for asset development programs throughout the country. The U.S. savings rate had declined to nearly zero before the year 2000. Despite the popular thinking, low-to-moderate income families are capable of saving for the future. In fact, research shows there are “savers” and “spenders” at every income level (America Saves, 2007). Many local and national campaigns are working to help families build wealth. In addition, many Bay Area nonprofits are working to help families move out of poverty. Specific to the Bay Area, the highest concentrations of low-income households in San Francisco lie in the Bayview-Hunter’s Point, South of Market and Potrero neighborhoods. In these neighborhoods, one adult with one infant needs to make at least \$24.28 to simply meet their needs (UWBA, 2004).

The gap between reality and reaching self-sufficiency is only a portion of the problem. Even if a family makes a sufficient living wage, emergencies or unforeseen expenses will exhaust their resources. It is for these circumstances that the need for families to think beyond meeting basic needs is imperative. FAIR was conceived out of the concept that free tax

preparation should act as a gateway to engage clients in year round asset building activities.



At the end of the evaluation, United Way of the Bay Area would like to be able to say this model is successful in engaging low-to-moderate income families in asset building activities who were also recipients of free tax preparation services.

Earn It! Keep It! Save It! (EKS) is a regional effort lead by the United Way of the Bay Area (UWBA). EKS is made up of seven county coalitions of free tax preparation sites and their partners, such as the IRS and supporting or lead agencies. In fact, the free tax preparation sites are known as VITA sites. VITA stands for Volunteer Income Tax Assistance. This is a program conceived by the IRS. It has taken place on a national scale for close to 30 years.

The free tax preparation is conducted by local community based organizations, city and county agencies, churches and other community partners. A large component of the free tax preparation is the link to asset building. Many sites encourage opening bank accounts, avoiding pay day lenders and savings.

In San Francisco, the EKS planning partners created the FAIR program. This is *Financial Advice, Information and Referral* provided by selected free tax preparation sites. The UWBA has granted six specific sites to participate in the FAIR program. The FAIR program theory is based on the incorporation of year-round asset development activities with the free tax preparation clients. The program will be located at six sites in targeted low-income San Francisco neighborhoods. These include: the Mission, the Outer Mission, Chinatown, Visitacion Valley, Tenderloin, and Bayview districts. During the first year, beginning in the 2007 tax season, the six sites will achieve its goals and objectives by conducting the following activities: hold financial literacy workshops, promote split refunds to tax filers, aid in opening bank accounts, public benefits screenings, IDA Program referrals and providing information or other referrals. See below for a more detailed description of these activities.

- **Financial Literacy Workshops:** Tax preparation clients will sign up for specific classes on budgeting, saving for a new home or college education, available tax credits, IDA programs, etc.
- **IDA Program:** An IDA is an Individual Development Account. This is a special savings account where the organization offering the account is willing to match the savings up to a certain amount. Oftentimes the money saved in this account must be used for a specific purpose such as buying a home or starting a small business.
- **Promotion of Split Refunds:** New this year to the option of direct deposit of your tax refund is the ability to deposit your refund in up to three accounts, including

savings accounts. This is an opportunity to encourage tax filers to actually save some of their tax refund.

- **Aid in Opening Bank Accounts:** The sites will connect the tax filers with local bank personnel to open a bank account either before filing their taxes or after. This is also part of the promotion of Bank on San Francisco.
- **Public Benefits Screening:** Each of the six sites will use the Self-Sufficiency Calculator created by the National Economic Development and Law Center to screen each prospective client for a potential benefit. The calculator uses size of household, income and expenses of the client to determine possible eligibility.
- **Self-Sufficiency Calculator:** This is a tool available on the National Economic Development Law Center' website. The calculator takes the household information along with income and expenses to determine what percentage of the Self-Sufficiency Standard<sup>1</sup> the family is bringing in as income. It will also do a pre-screening for various Bay Area public benefits.

FAIR goals include:

- To impact low-to-moderate income neighborhoods in San Francisco by providing targeted asset building activities at community based organizations
- To increase self-sufficiency among working, low-to-moderate income families and individuals
- To determine the best practices in reaching tax preparation clients with year-round asset building activities

FAIR objectives are as follows:

- Help clients begin asset building
- Provide access to asset building/income support resources
- Help clients open bank accounts and begin savings
- Assist clients with enrollment in Public Benefits

### *Logic Model Narrative*

The inputs into the FAIR program are mainly staff and other organizations that already provide some sort of asset building activities. United Way of the Bay Area provides limited funding to the six VITA sites to offer these additional services. Specifically, in San Francisco there is a lead agency, Tax-Aid, who convenes the FAIR meetings and brings in representatives from various community organizations that have an interest in the work

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<sup>1</sup> The Self-Sufficiency Standard is a measure of what it actually costs to live in California versus the wages working families are earning in their particular county.

FAIR is doing. Activities include financial literacy workshops and public benefit screening with the self-sufficiency calculator. In particular, the six FAIR sites will aid in creating an asset building activities calendar with other local organizations providing asset development services. Some of the intermediate outcomes will include clients beginning to save money through various outlets, enrollment in public benefits and reduced debt as a result of a workshop or counseling session. Ideal long-term outcomes include a strong savings habit and use of the financial system. All of the long-term outcomes should lead a family or individual to greater self-sufficiency. See Figure 1.1 below.

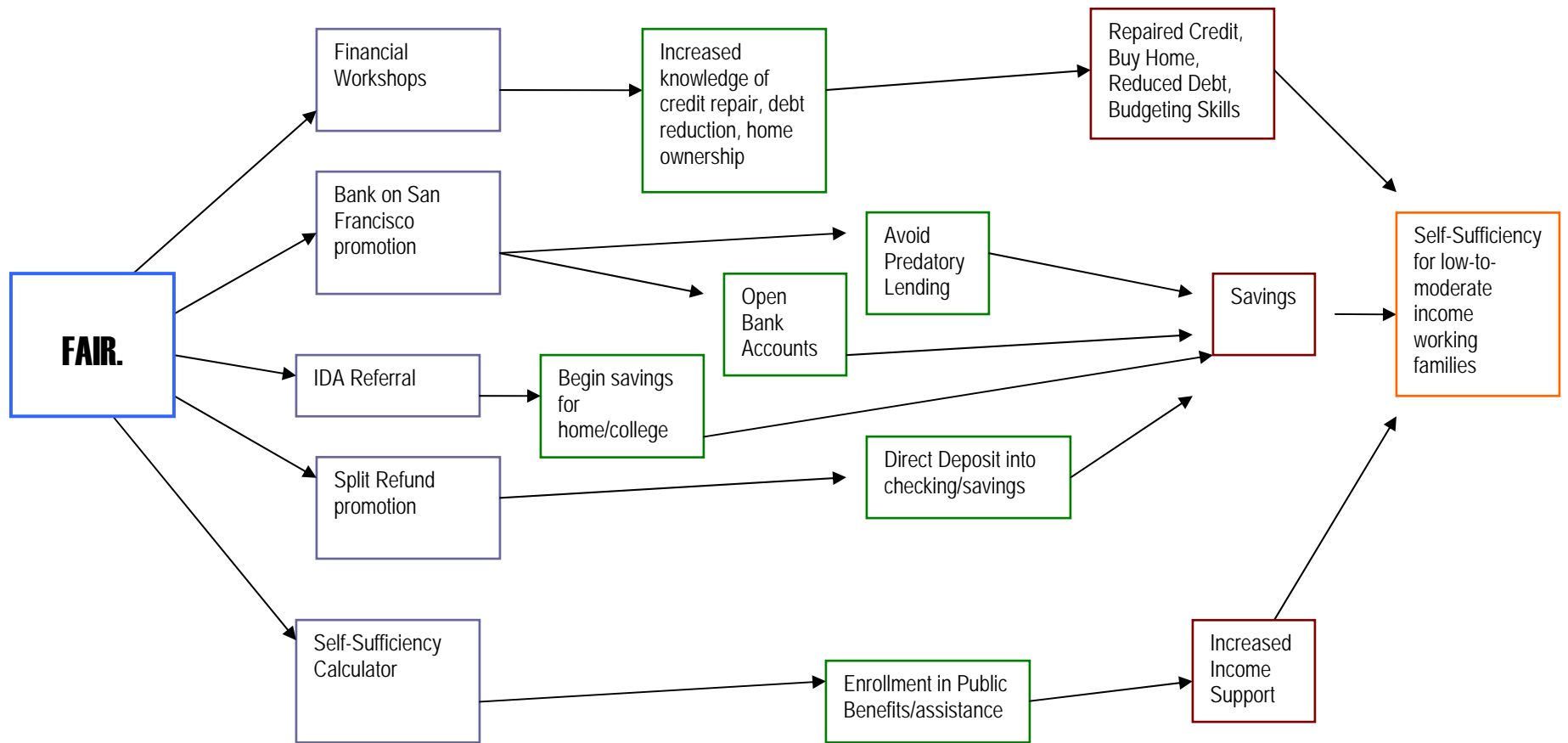
### *Impact Theory Narrative*

The impact theory of FAIR (Figure 1.2) has the activities of the program leading to simple outcomes such as clients opening a bank account or directly depositing their refund check into a bank account. Financial literacy workshops lead to increased knowledge around asset building such as repairing credit or learning budgeting skills specifically. This increased knowledge, income and savings all lead to greater self-sufficiency. Clients are seen on a case management basis. The point of entry is free tax preparation. From there, the site will make appointments or contact the clients with various opportunities, such as the financial literacy workshops, counseling sessions, savings opportunities, etc.

Figure 1.1

Inputs	Activities	Intermediate Outcomes	Long-Term Outcomes
<ul style="list-style-type: none"> <li>▪ Six selected VITA sites</li> <li>▪ Vice President, Community Investment from UWBA</li> <li>▪ Program Associate from UWBA</li> <li>▪ 2 Tax Aid lead staff</li> <li>▪ Various nonprofits in supporting/informational roles</li> <li>▪ \$45,000 in grants from UWBA</li> <li>▪ Data collection tools</li> <li>▪ Monthly trainings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bank on San Francisco participation/open bank accounts</li> <li>▪ Self-sufficiency calculator/ Public Benefits Screening</li> <li>▪ Refer to IDA program</li> <li>▪ Case management</li> <li>▪ Promotion of savings/split refunds</li> <li>▪ Financial Literacy workshops</li> <li>▪ Asset Building activities Calendar</li> </ul>	<p><b>Clients shall:</b></p> <ul style="list-style-type: none"> <li>▪ Open Bank Accounts</li> <li>▪ Have a Small Savings</li> <li>▪ Begin IDA program</li> <li>▪ Reduce Debt</li> <li>▪ Begin Credit Repair process</li> <li>▪ Begin public benefits enrollment process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Savings for home/college/small business/emergencies</li> <li>▪ Enrollment/receiving public assistance</li> <li>▪ Reduced debt</li> <li>▪ Credit repaired</li> <li>▪ Using Bank Account</li> </ul>

Figure 1.2



## Review

As a pilot program, there is no existing data or evaluation available for the FAIR program. However, there is a growing body of literature concerning the broader topic of asset development, including an examination of a multi-site demonstration project, statistical overviews of asset development activities, and case studies related to working with low-income residents building savings.

### *Evaluations*

One of the lead agencies for asset building in the public sector has been the Federal Reserve Bank (FRB). As part of their community development program, each of the twelve Federal Reserve Banks has a Community Affairs office that provides financial institutions advice on the Community Reinvestment Act. The FRB has become a leader in bringing research and evaluation to institutions and communities through conferences and publications. While new programs have been developed over the last twenty years to comply the Community Reinvestment Act of 1977 (CRA), little research is available before 2001 as to how these programs are being evaluated (Levere, 2006). At the research sessions presented at the *2006 Assets Learning Conference—A Lifetime of Assets*, the FRB presented the following challenge: “As the asset building field moves forward, research plays an increasingly important role in helping to both measure our impact and spur innovation... new findings that can lead us to develop better asset building policies, programs, and products” (Levere, 2006). For the pilot program to be able to be replicated or

expanded, it will be necessary to produce tools for measurement and evaluation that are written into the project.

### *Savings*

However, a program similar to the FAIR program was evaluated in a published report in 2000. The report was a case study of participants in the Extra Credit Savings program operated by Shorebank, a community development financial institution in Chicago and the Center for Law and Human Services, a nonprofit organization. The program offered no-fee and no minimum balance savings accounts for Earned Income Tax Credit deposits. In this report, the authors found that concerns about privacy and having enough money to start an account were barriers to participation (Center for Social Development, 2000).

Another savings program with a wider scope than the FAIR program was created and evaluated by EARN. EARN provides a matched savings Individual Development Account to low-wage workers. While the program theory and goals may be different, the EARN program is making an impact with low-income families in the Bay Area. EARN has collected statistics and case studies as part of their quality improvement process. The EARN program has three major goals:

1. Empower low-wage workers in the Bay Area to escape poverty permanently through asset building products and services
2. Create, demonstrate, and evaluate innovative asset-building practices that can be replicated on a large scale
3. Champion state and local asset-building policies that open the door to financial success to low-wage workers

As a part of an on-going evaluation process in addressing goals one and two, EARN collected data from participants and donors through surveys. EARN determined that as of December 2006, EARN has opened 1,392 accounts. These accounts are supported with a total of \$1,215,000 assets saved by participants in the program. In addition, EARN participants have \$1,061,920 invested in five asset categories including rentals, children's education, post-secondary education, small business capitalization, and first home purchases (EARN, 2006). EARN has also collected detailed case studies on families that have gone through the program. The EARN Board of Directors, management, donors, and participants have a snapshot of where EARN is at in terms of meeting goals and where the program can expand or improve services in the future.

### *Split Refunds*

Finally, a pilot program from the Doorway to Dreams (D2D) project, Refunds to Assets (R2A) was recently evaluated. Working with its partners, the Community Action Project of Tulsa County (CAPTC) and the Bank of Oklahoma, D2D pioneered a "bifurcation tool" which permitted taxpayers the option to automatically pre-commit a portion of their refund to a savings account or, if they owned a home, to a mortgage prepayment (Beverly, Schneider & Tufano, 2005). The results were promising. The results of the 2004-2005 evaluation showed that over 30% of the nearly 500 individuals offered the free service wished to use it. D2D is working with CAPTC and other organizations across the country to expand R2A and to learn more about tax refund recipient preferences, their savings habits and financial educational needs (Beverly, Schneider & Tufano, 2005).

## Research Method

### *Design*

The evaluation of the FAIR program will be a single group pretest-posttest non-equivalent design. There will be no sampling method as data will be collected from the entire population who receive the FAIR services. The data collected will test two hypotheses.

1. The FAIR site services helped San Francisco residents work towards personal asset development and wealth building goals.
2. The FAIR model of free tax preparation services as a gateway to engage clients in year round asset development activities is a successful model.

### *Data Collection*

The data collection method will be a survey during the intake process and a survey at the end of the calendar year, which is also the end of the pilot program. Some consideration is being made to offer incentives to participants to stay engaged all year. The survey will ask questions regarding the independent and dependent variables listed in the table below.

The independent variables are the various activities of the FAIR sites. The dependent variables are different measures of asset development. Both quantitative and qualitative data will be collected via the intake and exit surveys. (See Appendix A)

### *Limitations*

There are a few limitations to this evaluation design. First, there is no control group to test the effect of the treatment (FAIR). Without a control group, isolating confounding variables will be more difficult. Another limitation is the ability to infer the effectiveness of the program model based on the small sample size and scope of the program. With only six sites recruiting a handful of participants, an analysis may have difficulty inferring the

results can be applied to the entire population. Lastly, the time period between which the pre and post tests will be given may be too short of a time to reflect any significant change in assets, income support or financial literacy.

### *Analysis and Implications*

The data will be analyzed using descriptive and inferential statistics methods such as means, proportions, frequency tables, t-tests, chi-square and ANOVA. The main inferential statistical analysis will be a paired sample t-test, allowing the program to see the statistically significant difference between before and after the FAIR program. Qualitative analysis will mostly include content analysis. With this analysis, Earn It! Keep It! Save It! will make the decision to continue funding VITA sites as FAIR sites. If the model proves successful, other counties in the region will begin implementing the program along with the free tax preparation service.

*Variables*

Independent Variables	Confounding Variables	Dependent Variables	Operationalized as:	Level of Measurements:
<ul style="list-style-type: none"> <li>• Split refund promotion</li> <li>• Bank on San Francisco promotion (help clients open bank accounts)</li> <li>• Financial Literacy Workshops</li> <li>• IDA Referral</li> <li>• Public benefit screening</li> <li>• Self-Sufficiency Calculator</li> </ul>	<ul style="list-style-type: none"> <li>• Individual motivation to begin savings</li> <li>• Prior introduction to asset building activities</li> <li>• Encountered one of the various services such as public benefits through another source</li> </ul>	Asset Development	Amount Saved in Bank Account	Ratio
			Amount saved in IDA	Ratio
			Bank Account opened	Nominal
			Debt Reduction	Ratio
			Credit Repair	Nominal
		Income Support	Completion of the Self-Sufficiency Calculator	Nominal
			Enrollment in Public Benefits	Nominal
		Improved Financial Literacy	Increased Knowledge of the financial system	Ordinal
			Money management	Ordinal
			Budgeting skills	Ordinal

## Anticipated Results

At the conclusion of the pilot program, as a staff member involved in Earn It! Keep It! Save It! and other asset development models, I expect to find that the program did not work as hoped. The six FAIR sites are community based organizations offering various human services. In addition to these services, they have agreed to provide the free tax preparation services. On top of these tasks, the staff members of these sites are required to recruit and monitor the progress of participants as well as plan FAIR events or activities in which their clients will participate. I believe the six sites lack the organizational capacity to perform these tasks. However, even as amateur program evaluators, we will let the data tell the tale. The data analysis will allow evaluators to look at the change in asset status of the FAIR clients. Financial literacy and income support will also be indicators of an effective program model. Seeing a change from before to after the FAIR program will be the true test of the program.

## Budget

<b><i>FAIR Evaluation Budget FY 2007</i></b>	<b>Budget</b>
<b>Revenue</b>	
BACF Allocation	\$28,500
<b>Expenses</b>	
Grants	\$6,750
Salaries	\$9,500
	\$7,000
Office Supplies	\$500
Telephone Conference Charges	\$50
Facilities	\$1,200
Printing and Duplicating	\$100
Training	\$1,450

*Narrative*

Revenue: Earn It! Keep It! Save It! receives an allocation from United Way of the Bay Area's Bay Area Community Fund (BACF) for each county. A portion of the allocation for San Francisco County for FY 2007 will be used for the FAIR program.

Expenses: The total amount in grants given to the FAIR sites is \$45,000. A portion (15%) of that amount is dedicated by each site to collect data over the course of the pilot program. The personnel dedicated to this project are one UWBA staff person (.25 FTE) and a staff person employed with the contracted lead organization in San Francisco, Tax Aid (.1 FTE). Office supplies include file folders, meeting materials, etc. Telephone conference charges will be incurred occasionally when the FAIR sites cannot meet together in person. Facilities expenses will include the meeting space rented for the monthly meetings, which include data collection and evaluation training. The printing and duplicating charges include the duplicating of the questionnaire or instructional materials for training. The training expenses will be incurred via a Self-Sufficiency Calculator trainer, who will conduct training on how to use the calculator as a measure of income support progress. In addition to the self-sufficiency calculator training, a consultant in the area of Program Evaluation is planning to attend one of the monthly meetings this summer to offer technical assistance or advice.

## Schedule

During the remaining months of calendar year 2007, monthly meetings will be taking place in San Francisco with the six participating sites. The evaluation process will proceed as follows:

- *May through June (at the very latest):* Clients will fill out the questionnaire as part of their post tax season /pre- FAIR intake process.
- *July through November:* Site staff will monitor clients' level of engagement to encourage year-round participation. This could be a monthly activity or based on staff and client schedules.
- *December 1<sup>st</sup>:* Sites will begin to administer the post-program questionnaire to the clients who participated throughout the year.
- *Mid to Late December:* Sites will return all clients' file information to UWBA along with a final report on the successes and challenges of implementing this program.
- *January:* UWBA staff will input data into a data analysis software and begin analysis.
- *February:* Reveal results to UWBA, Tax-Aid, and other Bay Area community partners that are interested in this model of asset building.

## References

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Site Name \_\_\_\_\_

Please fill out the following questionnaire about your current tax return information, asset status, and financial literacy. All information will be kept in your confidential client file for data analysis purposes.

### Personal Information *(Fill this section out during intake process only)*

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zip \_\_\_\_\_

Phone \_\_\_\_\_

E-mail \_\_\_\_\_

Male \_\_\_\_ Female \_\_\_\_

Ethnicity \_\_\_\_\_

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### Tax Questions *(Fill this section out during intake process only)*

What was your filing status for tax year 2006?

Single

Head of Household

Married Filing Jointly

Married Filing Separately

What was your income for tax year 2006? \$ \_\_\_\_\_

Did you receive the Earned Income Tax Credit for tax year 2006?  Yes  No

Did you electronically deposit your refund?  Yes  No

In to which kind of bank account?  Checking

Savings

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### Asset Questions

Do you have a checking account?  Yes  
 No

Do you have a savings account?  Yes  
 No

What kind of savings (IDA, regular savings, 401K, emergency cash at home, etc.)?  
\_\_\_\_\_

How much do you have in savings? \$ \_\_\_\_\_

Do you save on a regular basis?  Yes  No

As of your last statement period, do you have any outstanding credit card debt?  Yes  No

How much in total? \$\_\_\_\_\_

Do you have other loan debt?  Yes  No

How much in total? \$\_\_\_\_\_

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### Income Support Questions

Did you complete the Self-Sufficiency Calculator?  Yes

No

Self-Sufficiency Wage % \_\_\_\_\_ (To be filled out by Site Staff person)

Do you receive any public benefits?  Yes  No

What kind? \_\_\_\_\_

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### Financial Literacy Questions

Did you attend a financial literacy workshop at this site?  Yes  No

If yes, how many did you attend? \_\_\_\_\_

What was the topic of the workshop(s)? \_\_\_\_\_

What are your financial goals? (i.e. reduce debt, repair credit, start savings, etc.)

\_\_\_\_\_

\_\_\_\_\_

1 = Strongly Disagree

5 = Strongly Agree

Please circle a number for each row that corresponds with the rate at which you agree with the statement

<b>I feel comfortable managing my money</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>I have enough budgeting skills to manage my finances</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>I learned a lot from the Financial Literacy Workshops I attended at this FAIR site</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>