Persistence, Focus on Messages and Strong Champions: Lessons from Colorado’s 2013 Campaign to Create a New State Earned Income Tax Credit

This case study is part of a series examining the strategies and messages used by advocates to create, expand or protect the state Earned Income Tax Credit.

Background

In 2013, a number of factors came together to create a favorable climate for new policies to support working families. The Colorado Fiscal Institute (CFI, formerly the Colorado Fiscal Policy Institute) had been advocating for a permanent state Earned Income Tax Credit (EITC) for more than 10 years. As a result, many legislators, including some who were now in leadership, were familiar with the merits of the credit. A new senator who sat on Health and Human Services, Senator John Kefalas, had been an advocate for the tax fairness collaborative years before and had sponsored earlier EITC legislation as a member of the Colorado House. The economy was expanding, giving the state some revenues to restore programs that had been cut and create new programs. After the 2012 elections, Colorado had a Democratic House; the Senate had been controlled by Democrats for a while but gained a larger majority. The governor, also a Democrat, had held office since 2010 and had issued a proclamation in favor of the EITC in 2012.

CFI was considering whether to support another EITC bill and also a Child Tax Credit (CTC) bill, or to create a “working family tax credit package” that included a variety of low-income tax credits, including the CTC, the EITC and the Child and Dependent Care tax credit. They reconvened the EITC Coalition to assess whether other groups would be interested in pursuing this legislation and willing to put resources toward the effort. Most members of the coalition were excited about the opportunity and eager to get involved since the Coalition had worked for years to fund the old state EITC or enact a permanent one.

CFI began to seek out sponsors, approaching Senator Kefalas. When asked, he immediately agreed to run at least the EITC legislation, if not the entire working family tax credit package. Then Senate President Morse reached out to CFI, asking for suggestions for legislation that he might propose. CFI recommended a working families’ tax credit package that included all three credits.

The Senate President decided to give the position of Senate Bill 1, traditionally the Senate President’s top priority, to a bill to create an EITC, a CTC and a Child and Dependent Care credit. (The dependent care credit was later dropped because of cost. While the cost of the credit itself was not that high, the Department of Revenue insisted somewhat implausibly that it would need 70 new employees to implement the credit.) The inclusion of both credits meant that the bill had a broader constituency. The CTC benefitted families with incomes up to $110,000, which meant it could be presented as a middle-income tax credit, while the EITC benefits people with incomes less (and generally much less) than $50,000, thus making it a low-income, anti-poverty proposal.

1 Colorado’s Earned Income Tax Credit (EITC) had been largely inoperative for more than a decade, because it was only payable when a particular financial trigger was met. The state’s prior child tax credit (CTC) had been eliminated a few years before.
The bill was jointly sponsored by Senate President Morse and Senator Kefalas. The sponsor in the House was Representative Daniel Kagan.

While the bill had an excellent start, it also faced a stiff challenge. It needed to be passed by the Joint Budget Committee, made up of two Democrats and a Republican from each chamber. Unfortunately, two of the Democratic members, including the Committee chair, were reluctant to vote for the bill because of fiscal concerns, and none of the Republicans were willing to support it for partisan reasons.

Advocates worked hard to educate new legislators and the Governor and his staff about the benefits of the credit. They also had to overcome concerns about the availability of funding and the risk to other priorities. Ultimately a deal was negotiated to assuage those concerns. The EITC will only go into effect once a particular revenue level is reached, but once it goes into effect it will remain in effect regardless of subsequent revenue changes. The CTC will only go into effect once both the federal government and Colorado enact legislation allowing Colorado to tax internet sales, thus opening up new revenues. (The state legislature promptly enacted such a bill, but the U.S. Congress has not.)

CFI staff members believe the bill was passed because of the relationships they and their partners had already built with the legislators, their innovative and tried-and-true communications efforts and the thirteen years of advocacy and education around this policy.

Campaign Structure and Strategy

The coalition was both broad and regionally diverse. The main partners included 9-5 Colorado (which placed many op-eds and letters to the editor and helped turn out people for events), the Bell Policy Center, the Denver Asset Building Coalition, (which runs the state Volunteer Income Tax Assistance (VITA) sites and conducts EITC outreach), and the Piton Foundation (which partners with the community colleges to run VITA sites and regularly produces analyses of how many people receive the EITC in each legislative district). Less active, but still important, were faith-based groups such as the Lutherans, Catholic Charities, Denver Urban Ministries, a number of service providers that serve low income families, the Women’s Foundation and the National Council of Jewish Women.

The campaign did not receive much business support, but business did not oppose the bill and one small business owner testified in favor of the bill. The Colorado Competitive Council, the advocacy arm of the Denver Chamber of Commerce, and the Colorado Association of Commerce and Industry appeared at one of the hearings but took no position.

The advocates built their strategy on the coalition’s history of fighting for the EITC. Five times over the past decade they had proposed EITC legislation, which meant that they had educated many of the legislators about the value of the EITC. Several of these legislators had moved into positions of leadership over the years or were otherwise well-positioned to champion the bill. The advocates decided to pursue a strategy focused primarily on the legislature. While some of their work did try to engage the public, that was very much a secondary consideration.

CFI met with communications experts from Progress Now Colorado, the Civic Engagement Roundtable and Strong Colorado to develop its messaging strategy largely using research and polling information from the Center on Budget and Policy Priorities. Colorado faced a tight fiscal picture and there were some high-visibility competing budget items, particularly investments in education. Therefore, they decided that one critical
message was to point out that the budget was a set of priorities and insist that this bill should be a priority in the budget despite its cost of more than $100 million. This approach was persuasive to legislators who were initially a little put off by the overall cost of the bill. To support this approach, they gathered research about the benefits of tax credits in improving educational and health outcomes and increasing lifetime potential for young children. Their message was framed as follows:

Does money matter? Yes! Especially to young kids. Researchers are finding that young children (0-5) are particularly sensitive to their environments. Poverty early in a child’s life has far-reaching effects on their educational achievement, long-term health and lifetime earnings. But small boosts in income, like those provided by the Working Families Opportunity Act, provide a big bang for the buck.

They also took the position that the EITC was a very cost-effective way to invest in education. Their fact sheet on Money Matters cited research that found “the boost from tax credit income was equal to or greater than the boost gained from much more expensive policy options, like intensive early childhood education interventions ranging in cost from $15,000 to $40,000.” They relied on research that showed “raising family income by $1,000 through tax credits like the EITC and CTC raised student test scores (by 6 percent of a standard deviation) and in turn, increased students’ probability of going to college, earning more wages as adults, reducing teenage birth rates and improving the quality of the neighborhood in which those students live as adults. That’s a big effect. This and other studies have shown that teacher quality impacts student achievement by 10 percent of a standard deviation.”

They created a message triangle that they shared with all coalition partners, ensuring everyone used the same consistent messaging throughout the campaign. They also brought together the communications directors of the coalition members to create a list of outlets in which they could place op-eds and similar materials.

CFI acted as the organizer of the coalition. CFI met weekly with the coalition and, separately, with the Senate president and his staff. They helped secure additional coalition members and maintained a dropbox folder with information that all coalition partners could use. They managed the social media campaign on Facebook and Twitter and created a blogspot for the coalition where members could post stories, favorable press, research and factsheets. Coalition partners could direct their members to this blogspot for information. Once the campaign went into high gear, CFI also sent daily e-mails to all 100 members of the legislature.

The full coalition list included:

- Colorado Fiscal Institute
- The Bell Policy Center
- 9 to 5 Colorado
- Colorado Progressive Coalition
- Colorado Center on Law and Policy
- Project WISE
- COLOR – Colorado Organization for Latina Opportunity and Reproductive Rights
- Denver Asset Building Coalition
- Hispanic Affairs Project
- Every Child Matters Colorado Campaign
- FRESC Good Jobs Strong Communities
- All Families Deserve A Chance Coalition
- Women’s Lobby of Colorado
- Clare Gardens Inc.
- Together Colorado
- Colorado Coalition for the Homeless
- CWEE
- Colorado Coalition Against Domestic Violence
- Western Equality
- Women’s Foundation of Colorado
- Denver Urban Ministries
- Children’s Outreach Project
- NARAL Pro-choice Colorado
- Colorado Cross Disability Coalition
- American Association of University Women, Colorado Chapter
- Colorado Participation Project
- Harm Reduction Action Center
- Denver Democrats
- Lutheran Advocacy Ministries – Colorado
- Catholic Charities
- Women and Family Action Network
- Colorado Social Legislation Committee
- San Miguel County Board of County Commissioners
- National Council of Jewish Women
- Energy Outreach Colorado
- Colorado Children’s Campaign
- Colorado Senior Lobby
- Colorado Nonprofit Association (because it affected so many of their members’ employees)
- Mi Casa Resource Center
- National Association of Social Workers, Colorado
CFI developed a kitchen cabinet of people who were willing to show up at events and to write materials as needed. They located high-profile op-ed authors and also worked with coalition members to identify low-income families who were willing to participate in the campaign, to submit letters to the editor and op-eds, to turn out at hearings and similar events, to appear in a Public News Radio story and to tweet in message campaigns to legislators. For example, a bank teller who is the single mother of three children was willing to talk about using her federal EITC for afterschool and enrichment activities and to reduce their trips to a food pantry. In addition, the Piton Foundation, one of the coalition partners, took legislators to visit VITA sites.

Because the coalition was well-organized and highly engaged, when they needed to move quickly they could do so. For example, they could muster organizations with members in a particular Senate district to call their Senator because he was wavering on the bill.

**Implementing the Strategy**

After the bill was drafted, CFI developed a cost estimate for the bill using census data, IRS data and data from the Brookings Institute to estimate the number of Colorado families that would be impacted by this legislation. The analysis included a breakdown by income, looking at how changes in the credits would affect different income brackets and also modeling the overlap between the credits and recipients to determine how to drive the most money to the target population. The legislative council staff and coalition members used this analysis. It was the starting point for how the credits would be designed and where advocates could make changes without sacrificing effectiveness.

Early in the campaign, CFI and its partners secured and placed an op-ed on the benefits of the EITC written by a major philanthropist and captain of industry who founded the Piton Foundation. But they chose to wait to really launch their campaign until the March revenue forecast was issued. They were confident the March forecast would show additional growth in the budget and possibly include new money that could be allocated to pay for the working families’ tax credit package. While the revenue forecast did indeed include new revenue, all the new money was appropriated by the Joint Budget Committee before they could even get a meeting with the Chair. As a result, the advocates had no new revenue to help offset the $104 million price tag.

In order to assuage the concerns of members of the Joint Budget Committee about the cost, advocates agreed to add the first “trigger” to the bill. This trigger required a $100 million increase in revenue from the March estimate in any of the next several forecasts. This trigger was considered fairly certain and easily attainable; advocates were willing to make this concession in exchange for the support of the Joint Budget Committee. Shortly after the March forecast, advocates moved into high gear to lobby the bill and prepare for the first hearing in the Senate. They began sending daily e-mails to all 100 of the legislators and the Governor’s office; each e-mail included short facts and research tidbits about the credits in the bill. These e-mails were read by legislators, who responded, asking questions and letting the coalition organizer know where they stood on the bill. These e-mails were very helpful in getting the issue and the bill on legislators’ radar.

Finally, they made and distributed folders to all the members of the Senate with information about the number of people who would benefit from credits in their district (incorporating the IRS data that Brookings tabulates and provides), stories from people in their district and around the state and other informational documents. One story was from a veteran explaining how he used his federal EITC to pay down debt and get into a house so he could avoid homelessness; another was from a widowed mother with six kids. The folders also included a basic informational brochure on how the EITC works.

At the same time, the advocates had to counter several unexpected negative pieces in the Denver Post, including an editorial saying that this was not the right time to enact a permanent EITC because of the tight
state finances and the need for money for education reform. The coalition undertook a big Letter to the Editor campaign. They also drafted and placed an op-ed for the Denver Post, signed by Christine Marquez-Hudson, the director of Mi Casa Resource Center, a service provider that trains women, particularly Latina women, to be businesspeople. The Post editorial didn’t end up having a lot of impact, because most people hadn’t read it, but advocates were concerned and felt they had to respond strongly.

For the first hearing, before the Senate State Affairs Committee, CFI lined up a variety of speakers including service providers, poverty reduction experts, education advocates, recipients who shared their personal stories, volunteer tax preparers who talked about the impact of the federal EITC on their clients and budget, economics and tax experts.

All of these people gave eloquent and compelling testimony that really moved the Senators on the committee. One legislator pulled the coalition organizer aside and asked whether nonprofit staffers were eligible. When she said yes, that legislator recognized the value of the credit.

The local business lobby was present at the hearing but remained neutral on the bill. The only opposition to the bill actually came from the Republican members of the committee; however the form of their opposition was not what advocates had anticipated. The two GOP Senators claimed to be very much in support of the policy in the bill – they said they were just against the trigger. After much haggling about the trigger, they voted in support of the bill and it passed unanimously out of the committee. (Had the trigger been removed from the bill, it would have been impossible to get the votes to get the bill out of its next hurdle, the Appropriations committee. When the bill was on the floor, both GOP Senators ended up voting against the bill.) While those in the hearing room were really moved, the testimony did not affect the positions of those who were not in the room.

After the hearing, the bill moved to the Senate Appropriations Committee. Here advocates faced some resistance from one Democratic member of the committee who was concerned about the cost even with the trigger. While the coalition lobbied her, the Senate President met with the Speaker of the House. This meeting between the Speaker, who had been relatively unsupportive of the bill, and the Senate President was the cornerstone to the bill’s passage. After long and intense negotiation, the Speaker of the House, Representative Mark Ferrandino, agreed to support the bill with the inclusion of a new trigger – the enactment of the bill would be predicated on the passage of the Market Place Fairness Act at both the state and federal levels.

With the inclusion of this new trigger, the Speaker was on board with the bill. He reached out to the member of the Joint Budget Committee that also chaired the Senate Appropriations Committee, and he reached out to the Governor’s office. Until that point, advocates had not had much contact with the Governor’s office about the bill and the contact they did have was not encouraging. Advocates prepared a very technical memo for the Governor’s budget director on the merits of the credit. However, the fiscal trigger was the deciding factor that ultimately persuaded the Governor and his staff to support the bill, since it meant the working families’ credits wouldn’t take funding away from any of the Governor’s priorities.

As the bill passed the Senate and moved to the House, advocates were still debating the merits of the new trigger. National partners had advised them that passage of the Market Place Fairness Act was far from guaranteed and the Colorado advocates were not happy about basing implementation of the bill on something so uncertain. However, if the Speaker’s trigger wasn’t added to the bill, the bill would not make it out of the House.

2 The Market Place Fairness Act is a bill that creates a way to tax internet sales. The Colorado bill would create infrastructure and a means for implementing the federal bill. If the Act passed in both Colorado and in Congress, $70 million in additional revenue would be collected by the state. This money would go towards the implementation of the working families tax credits package.
Advocates developed a solution that they offered to both the Speaker and the Governor’s office. They suggested separate triggers to implement the EITC and the CTC. The CTC would remain contingent on the Market Place Fairness trigger. The EITC implementation would now be triggered when the state exceeded its TABOR\(^3\) limit and had to refund money to taxpayers through the EITC anyway. However, unlike the EITC TABOR trigger under prior Colorado law, once the state exceeds its TABOR limit, the EITC will become a permanent part of the code even if revenues fall later. Legislative Council estimates that Colorado will hit its TABOR limit in FY 15-16.

The Speaker of the House agreed to this new trigger, as did the Governor’s office. With their support, CFI knew it would be much easier to pass the bill through the House but they still needed the support of a majority of other legislators.

Again, CFI and the coalition implemented the lobbying strategies it had used in the Senate. They distributed informational folders and continued the daily e-mails. They prepared a similar line-up for the hearing in the House State Affairs Committee and again, the testimonies of the coalition partners, members and advocates moved the committee members. The bill passed out of the House State Affairs Committee on a party-line vote. It also passed the House Finance and the House Appropriations Committees on party-line votes. Finally the bill moved to the House floor. Within about two days, it passed the required two floor votes and went back to the Senate for concurrence. The bill was finally passed by the legislature on the second-to-last day of the session.

Throughout this process, CFI and its partners worked closely with their legislative champions. One sponsor was the face of the bill; the other, the Senate President, worked the caucus behind closed doors. That sponsor also was the one who worked out the deal with the Speaker of the House that was essential to passage of the bill.

**Reaction to Key Messages**

CFI believes the focus on messaging was essential. The bill was described as a working families’ bill and advocates wove messages about helping working families into everything they did. They emphasized that this was not a handout and that recipients need to be working. They demonstrated that recipients were meeting their familial responsibilities.

Interestingly, although CFI expected arguments that “these people should have to pay taxes,” that only came up once. Even their opponents said, “I understand these people pay all kinds of other taxes.” (This may be because the press discussion of Mitt Romney’s statement about the “47 percent” was still relatively fresh in everyone’s minds.)

Messages about what money means for the long-term well-being of children, and particularly for their education, were also vital. When legislators expressed concern the bill was “taking money away from other priorities,” the “money matters” messaging allowed advocates to point out that creation of these tax credits would actually enhance the effectiveness of other priorities in the budget, such as K-12 education and health care. This message, and the fact sheet that supported it, definitely was read by legislators. The information on the effectiveness of the credits helped shut down debate on competing priorities and focus it instead on cost and whether the state could afford it.

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\(^3\) Under the Colorado Constitution, the state’s revenues are subject to a Taxpayers’ Bill of Rights (TABOR) limit, which so far remains unique to Colorado. Once state revenues pass a certain level in any given year, revenues above that limit must be refunded to taxpayers through various mechanisms, one of which is a state EITC. These refunds are contingent and have only been issued once since 2002.
This strategy was particularly important because it got the attention and support of a Democrat who was the main proponent of a school reform bill that can only go into effect if voters approve a tax increase in November 2013. Advocates were concerned that education supporters would oppose the working families’ credits in the belief it would reduce support at the polls for the new education tax. They thought voters might say, “Why should we vote for a tax increase when you just spent tax revenues on tax credits?” When the school reform sponsor became a proponent also of the working families’ credits, it made it impossible for people to use his education reform agenda as a reason to vote against the bill.

In addition to reducing the tension between education advocates and tax credit advocates, these messages also were very helpful in conveying why even a small credit would have a real impact on children’s lives. In past years, advocates often had been asked why a few hundred dollars would make a difference. The research in the Money Matters fact sheet, as well as the stories from actual recipients, showed how even a small credit had meaningful impact.

The coalition, relying on messaging research, also stopped using messages about the history of bipartisan support for the bill, although their sponsor continued to use it. Instead, the coalition focused heavily on rural families, military and veterans. They supported these messages with stories from individual recipients, an important tactic.

**Next Steps**

The EITC will become a permanent credit as soon as the revenue target is reached, probably in 2015. However, the implementation of the CTC depends on whether Congress passes a law allowing states to tax internet sales. If in a few years Congress still has not passed such a law, advocates will return and fight for a different trigger or funding source.

**Tips from the Advocates**

*Thoughtful strategic planning at the start of the campaign is invaluable.* They were able to use the focus groups and polling, identify possible stumbling blocks and vulnerabilities, plan out the preventive messages they wanted to use and then develop a unified message to share with the coalition. Because everyone in the coalition talked about the bill the same way, it helped seed the ground.

*Take the time to build champions in the legislature.* Make sure legislators understand the issue and messages and encourage them to lobby their caucus and count votes even when the bill isn’t moving yet. In this campaign, when other legislators had problems or questions, they called the sponsors and champions, who became a resource.

*Constant interactions with legislators are invaluable.* The daily e-mails and compelling calls from districts were very helpful. When the coalition organizer didn’t testify, someone asked, “Why are you not testifying? We hear from you every day.” The e-mails also gave legislators a more comfortable, private way to interact with advocates, which was important on an uncomfortable topic like tax policy.

*Don’t bargain against yourself.* The coalition took a strong stance against negotiating about the cost of the bill. They simply acknowledged that it cost a lot but it was worth it. They stuck to their key message that budgets are about priorities and this should be a priority. As a result, although they did lose the CDC, they never had to reduce the size of the EITC or CTC; they just had to locate funding sources.

*Always include basic information on the credit.* Although advocates had fought for the EITC for 13 years, they realized as they moved through the campaign that many of the new legislators didn’t know what the EITC was
or how it worked. Initially they did not produce their typical educational piece; when they realized that many legislators didn’t understand the EITC, they had to quickly add an educational piece.

*Tax policy is usually an insider ball game.* The geographic reach of their coalition was important, but not because they were trying to secure broad public support. Rather, they used the coalition partners in particular regions when they needed to prod particular legislators.

*Inviting legislators to visit tax sites is a powerful advocacy technique.* The legislators get to see and meet their constituents who are benefiting. One of the bill’s biggest champions, who chaired a key committee, was really moved by her visit to a tax site.

*Timing of your tactics is important.* The social media aspects of this campaign were not as successful as other social media campaigns run by CFI. The organization thinks the problem was trying to engage people in a twitter bomb too soon, before the bill was moving.

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Tax Credits For Working Families, through its website [www.taxcreditsforworkingfamilies.org](http://www.taxcreditsforworkingfamilies.org), provides easy access to research and resources regarding the Earned Income Tax Credit, Child Tax Credit, Child and Dependent Care Tax Credit and the Property Tax Circuit Breaker. It also provides information and tools to help community-based organizations and elected officials raise awareness of these important tax credits as a means of helping working families get ahead. Tax Credits for Working Families is managed by The Hatcher Group with support from the W.K. Kellogg Foundation and the Annie E. Casey Foundation.