Offering a Better Vision, Supporting a Champion: Lessons from Vermont’s 2013 Battle to Protect the 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, Vermont Governor Peter Shumlin proposed a two-thirds reduction of the state Earned Income Tax Credit (EITC) to fund an expansion of quality child care for low-income children. He declared that Vermont’s poverty programs were not working and that he wanted to repurpose the EITC funds for what he considered more effective use. (He also proposed changes to the state Temporary Assistance for Needy Families program, Reach Up.) Gov. Shumlin declared that he was not willing to increase taxes, and therefore he considered the EITC to be the only available source of funds for increasing child care spending, despite the practical consequence that a reduction of the EITC amounts to a tax increase on working families.

The Vermont EITC (one of the largest in the nation, at 32 percent of the federal EITC) was first enacted in 1988. Until the governor’s proposal, the state EITC had not been controversial. As a result, legislators and advocates alike were not well-versed on the merits of the credit. The Governor’s proposal split the advocacy community. Vermont desperately needed new child care funding. Public Assets, the State Fiscal Analysis Initiative (SFAI) organization, opposed the EITC cut, as did some of its key advocacy partners. Voices for Vermont’s Children, a multi-issue child advocacy group, recognized that the EITC had important benefits for children and opposed the reduction in the credit. However, other child care advocates and child care funders supported the child care expansion. They did not specifically support cutting the EITC but took the position that the EITC was a reasonable funding source. This was a very painful split in the child care community.

Both the House and Senate were controlled by Democrats who stood by their Democratic governor during this first term (2011-12). While many legislators were skeptical of the governor’s assertion that the EITC was not working and that investing in child care was a better use of the funds, they were not inclined to go against their governor. Advocates waged a quick, targeted campaign to persuade legislators to preserve the credit.

At the end of the 2013 legislative session, the state EITC remained intact. The Democratic legislature with veto-proof majorities had challenged this particular Democratic governor for the first time. The child care program received a $1.6 million increase, which was only a tenth of the governor’s proposal but in any other year would have been considered a significant increase.

The governor continues to insist that Vermont’s poverty programs are not working. He has said that next year he will again propose repurposing funds currently spent on anti-poverty programs for other uses that he believes are more effective.

Campaign Structure and Strategy

Vermont’s Public Assets Institute is the interim coordinator for One Vermont, a broad-based coalition on tax and budget issues that had lost its coordinator in 2010 and was in hibernation. Public Assets pursued funding
on behalf of the coalition that allowed it to hire an experienced advocate and lobbyist to help One Vermont develop a campaign strategy and messages to protect the EITC, manage the coalition, and reach out to media and the legislature. The One Vermont coalition first met to begin working to protect the EITC and Reach Up on February 25th, 2013. Since the legislative session ended in mid-May, the coalition had to move fast.

Because speed was of the essence, the One Vermont coalition decided to work with current members that already had a presence in the legislature and that already had organizational authority to work on this issue rather than broadening the campaign by spending time soliciting other advocacy organizations to participate. The active partners included:

- Voices for Vermont’s Children (the former coalition leader and a critical partner since they were child care leaders who spoke out against the EITC cut)
- Vermont Low Income Advocacy Council
- Vermont Legal Aid
- Vermont Affordable Housing Coalition
- Central Vermont Community Action Council (the largest community action program in the state, it operates state-wide)
- Green Mountain Self-Advocates (a disability group)
- Disability Rights Vermont
- Vermont Workers Center (a group that organizes disenfranchised people in Vermont around human rights issues)
- Vermont NEA
- The Vermont Network Against Domestic and Sexual Violence

They did not include faith groups or the business community. Vermont Businesses for Social Responsibility, which sits on the One Vermont steering committee, approved going forward with the campaign but never took a position and was not an active partner.

Because the coalition had gone into hibernation, they needed to confirm with everyone who had been members in the past that they were supportive of this position before they could use their names. Some former members in fact were on the other side; others were willing to remain neutral. The coalition was careful to use only the names of organizations that specifically agreed to support its position on the EITC in public materials and with reporters.

After the initial meetings, the One Vermont coalition held weekly strategy calls, at the same time every week, which proved to be an effective and efficient way of working together.

At the first meeting, facilitated by the hired lobbyist, the coalition partners brainstormed a vision for the state that would become the foundation of the campaign plan. She drafted the plan based on notes from this initial meeting, and the steering committee ratified the plan just a week later. This campaign plan included several important elements:

- Cultivating legislative champions rather than trying to change the administration’s position.
- Offering an alternative vision to the Governor’s austerity proposal.
- Bringing the alternative vision directly to editorial boards.
- Creating a political environment that made legislators feel safe in opposing a popular governor from their own party.
Initial discussions in January with the administration had already made it clear that the Governor and his staff were deeply committed to their proposal to cut the EITC. Therefore, at the first meeting the One Vermont steering committee quickly decided that their campaign targets were House and Senate leaders, including the Speaker of the House, Senate President, six key committee chairs and legislators known to be dissatisfied with the austerity approach.

The coalition decided that in order to win the twin battles over the EITC and Reach Up, it had to go beyond a defensive strategy to reframe the debate. They adopted a core message that the real question to be decided was, "Who do we want to be as a State?" Their answer was, "We want to live in one Vermont, where we make smart investments in people, programs and infrastructure that ensure the well-being of all Vermonters and provide the opportunity for all to succeed." They decided to drum home the message that continued austerity cannot lead to prosperity. They used this message in all their materials and at every opportunity. This message directly rejected the idea that investments in some Vermonters must be reduced in order to make necessary investments in others; implicit was the idea that the state should instead raise revenues to ensure adequate resources to benefit everyone. Of course, they also needed to provide a strong defense of both the EITC and Reach Up programs to explain why they were smart investments.

The coalition also developed a specific message to demonstrate the EITC was important to ensure the well-being of all Vermonters. While the EITC benefits 50 thousand Vermont children, the proposed child care expansion would only benefit 7 thousand of those children. The message was: The governor proposes to take money from over 40 thousand poor children and their families in order to improve child care services for 7 thousand children. This message proved difficult to articulate and they worked on refining it over the course of the campaign. While throughout the campaign they were specific about how many families were affected and that this was effectively a tax increase, by the end of the campaign they focused on the juxtaposition of 43 thousand poor children being hurt in order to help 7 thousand.

Over the course of the campaign, Public Assets produced 15 publications in four months, including press releases, blog posts, policy briefs and op-eds. (These can be viewed at http://publicassets.org/tag/eitc/ and http://www.taxcreditsforworkingfamilies.org/state/vermont/.) These materials made it easier for a key legislator to speak out on the issue and become a champion.

These reports also were instrumental in helping supportive legislators explain their position to their constituencies and answer their questions. These materials were designed to make it easy for legislators to hand out copies to their constituents, providing readily available answers to key questions and giving legislators a sense of safety in opposing the governor.

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1 One early version of the message was: Gov. Peter Shumlin has the right idea when he says we should invest in expanding the availability of child care for working Vermonters. However, it just doesn’t make sense to take money from low-wage working families to pay for this initiative.

By the end of the campaign, the message they were using was: In 2011, the Vermont EITC, which is 32 percent of the federal EITC, let about 45,000 working households keep more of what they earned. These households included more than 100,000 individuals, about half of them children. Only about 5,000–6,000 of these families would benefit from the governor’s child care expansion. Meanwhile, nearly 40,000 low-wage working families who don’t receive child care subsidies would see their tax credits cut.
Implementing the Strategy

As soon as the coalition approved the strategic plan, coalition members met with editorial boards over the next two weeks while the legislature was in recess. In these meetings, coalition members shared their different approach to the budget, recommending investments that create a state that works for everybody. They challenged the notion that Vermont didn’t have the capacity to make new investments. They avoided any statement that the governor was wrong; in fact, they didn’t mention the governor. They provided a document that gave examples of smart investments and where the funds could come from. The fact sheet included child care as one necessary investment, and recommended an investment of $50 million, three times the governor’s proposal, funded by eliminating income tax breaks. The document also included smart investments in education, higher education, energy and transportation.

As soon as the Legislature was back in session, coalition partners started meeting with legislators. Their first goal was to learn what legislators were thinking. The legislators were torn. They saw the importance of the EITC but also wanted to support their governor. Some key leaders spoke against the EITC cut from the beginning, but no one quite said they would refuse to pass the cut. They were inclined to be on the advocates’ side, but getting them to commit to opposing the governor was a big step. In fact, one key leader early on indicated that he would prefer the advocates to lead the fight instead of legislators, saying: “I see this as a way to make the case why the EITC is so good.”

In their meetings with legislators and in testimony before key committees, advocates also conveyed the message that their coalition was about making smart investment in public structures, not a knee-jerk liberal response to the proposed cuts. They gave legislators the same fact sheet they had given editorial boards and the press.

Since the governor was proposing to cut the EITC, which is a tax expenditure that benefits the lowest income families, Public Assets decided it had to provide alternative suggestions to the tax committee members on how to raise money. They prepared a report identifying five other tax expenditures that more logically could be cut. They put a copy in the mailboxes of every member of the House and Senate and also wrote op-eds discussing their proposal.

The coalition was fortunate that the Speaker of the House embraced the idea of smart investments, recognizing that austerity does not lead to prosperity. As he began to speak out, the coalition and some editorial boards supported him with op-eds and editorials. The coalition made sure that published pieces were put in the mailboxes of every House member. This provided a turning point. When the House Ways and Means Committee and the House Appropriations Committee released their budget proposals, the EITC cut was not included and while a child care funding increase was provided, it was only a small fraction of the governor’s proposal. As a result, the Speaker was praised in the press, with editorial writers saying that he was defining himself and not just doing what the governor wanted.

The EITC proposal faced a very different path in the Senate, where no strong EITC champion had emerged. The Senate Finance Chair understood the importance of the EITC and was willing to speak out to the press, saying on one occasion that as he walked into the legislature that day he asked himself why he was put on this earth and answering, “I’m not sure, but I wasn’t put on this earth to make life harder for poor people.” But as a new committee chair he needed to make sure he had the support of his committee members and the Appropriations Committee. The Appropriations Committee chair also was supportive, but the members of that committee were more conservative and likely to push for funding child care.
Because the Vermont Senate has only 30 members, the One Vermont coalition could meet with every Senator. In the course of these meetings, they found one message that really resonated: cutting the EITC would increase taxes on 40,000 low-wage Vermonter. This slightly adapted version of their earlier message emphasized that the governor’s proposal would raise taxes on working families and noted the disparity in the numbers of families affected by the EITC and child care funding. (The Speaker of the House began to use it with the press.) Similarly, the message that the EITC rewards people for working was very productive.

In addition to coalition members meeting with every Senator and key staff, the coalition got “grass tops” people, such as former government agency heads, to call the appropriations committee members.

Finally, the One Vermont coalition placed a radio ad\(^2\) with its key messages about smart investments and protecting working people on radio stations with working class audiences. Coalition leaders wanted to avoid blindsiding legislators and the governor to preserve their relationships with them, so the day the ad first ran Public Assets sent an e-mail with a link to the ad to every legislator and to the governor’s staff advising them of the ad campaign’s start.

The ad clearly bore fruit. People began to speak out more forcefully in the Senate against the EITC cut. One Republican legislator called Public Assets right after the ad campaign started to let them know that he would not support the cut.

The ad also put the governor and his administration on the defensive. One administration staffer was quoted extensively in an April 22 article entitled: “Tax Department Bashes Public Assets Institute’s EITC Report,” attacking as misleading a report that Public Assets had written about how Vermont ranked compared to other states in money paid out through the EITC and how the cut would move Vermont to 47th in the nation. In addition, Public Assets got a call from a reporter asking whether the ad was political and violated the laws governing 501(c)(3) organizations. She clearly had been given a tip to investigate and had not heard the ad herself. The coalition strategist had anticipated this response and provided staff with talking points to use when the press called about the ad. After the reporter listened to the ad, she was persuaded that they were in fact not violating the law and wrote a supportive article about Public Assets and its work on the issue.

In quick order, there were several signals that the administration was no longer pushing for the EITC cuts. Then during a press conference on May 8, less than three months after advocates began work, the House and Senate leadership and the governor announced a budget deal that took the EITC cut off the table.

Throughout the legislative session, the coalition stayed with the strategy it had developed from the start. No major changes were required. However, they did need to fine-tune messages to make sure they were most effective.

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\(^2\) The text of the radio ad was “The Governor wants to spend more on child care. That’s a smart investment. But he would take money from the pockets of low income working families to fund it and that makes no sense. Our state budget reflects our values. Those who have more should contribute a little more so we can all thrive. We are One Vermont. We believe our legislators should fight for a Vermont that works for everybody. Paid for by Public Assets Institute on behalf of One Vermont. Onevt.org.”
Reaction to Key Messages

The key messages that the coalition repeated over and over were:

- **The EITC rewards people for work.**
- **There are other tax expenditures that could be used to pay for child care funding that would not hurt the low-income working families.**
- **Continued austerity will not lead to prosperity.**
- **These are tax increases on working families.** The governor and his staff kept insisting this was not a tax increase and that the money belonged to taxpaying Vermonters, not those who received the tax credit. Despite the governor’s position, legislators and the press did pick up the tax increase language.
- **The governor proposes to take money from over 40 thousand poor children and their families in order to improve child care services for 7 thousand children.** This needed to be said crisply, and to include a comparison of numbers affected by the EITC and by child care funding.
- **The EITC improves child well-being.** The governor leaned heavily both on the idea that the EITC was ineffective and that Vermont could simply not afford to pay for such a large EITC anymore. As a result, because the Governor was proposing an EITC cut in order to improve child care funding, one message that was important in Vermont was the beneficial effect of the EITC on child well-being.

The coalition did not employ the message that a state EITC is a small investment that makes a big difference.

While the coalition also did not proactively cite the historically bipartisan support of Vermont conservatives, it did help when a well-known conservative Vermont economist wrote an op-ed in support of the EITC. The advocates circulated the column widely. Had the advocates proactively claimed that conservatives supported it, it probably would not have been as effective.

Next Steps

In the press conference where the budget deal was announced, the governor said he would continue to lobby for cutting the EITC. “Some of the pieces will take more time,” Shumlin said. “The earned income tax credit is one of them. I accepted that several weeks ago.” Since then, however, the governor has shifted his position. While the governor has made it clear he thinks Vermont’s poverty programs are not working and that he plans to offer new proposals to repurpose poverty program funds, he has stated to advocates privately and in public meetings that he will not propose to cut the EITC next year.

Nevertheless, with an assault of some kind on low-income Vermonters likely in 2014 and with more time to prepare, Public Assets will work to broaden the coalition, perhaps including faith-based groups and business leaders. They also may try to incorporate some of the strategies used in other states to inoculate against future attempts to cut the EITC. Two they are considering are producing a report that breaks out the number of EITC recipients by state legislative district and asking partners from the volunteer income tax assistance (VITA) sites to locate EITC recipients to tell their stories about how the credit improved their lives.
**Tips from the Advocates**

*Offer a positive alternative vision to legislators and the public.* This provided something that people could support and to which opponents had to respond. That vision could not co-exist with the proposal on the table. While it was important to fight off the outrageous proposal, in order to do that they needed an offense as well as a defense.

*Have a coalition leader who can think through the strategy, the messaging, and keep everything moving.* Advocates already were busy; it was not realistic to expect them to develop and implement the campaign. The coalition leader in this case could drop everything and focus just on this threat.

*Monitor reaction to the various messages and continually refine them for maximum impact.* Near the end of the campaign, one Public Assets staffer talked to a child care advocate who regularly read the coalition’s materials. When the staffer said the EITC cut would hurt 40 thousand kids and families who would not benefit from the child care expansion but would be required to pay the bill, the advocate was surprised. Even though she had been reading the materials, she had not gotten that message.

*Be very clear in setting the coalition’s goals.* Ambiguity about goals creates problems when the time comes to negotiate a solution.

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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.