

May 9, 2013

Mayor Bloomberg And Deputy Mayor Gibbs Announce Pilot Expansion Of Earned Income Tax Credit As New Antipoverty Initiative

Center for Economic Opportunity Offers Additional Credit of up to \$2,000 for Low-Income Single Workers

64th Antipoverty Program Launched by the Center for Economic Opportunity, which was Launched to Test Innovative Solutions to Entrenched Poverty

Mayor Michael R. Bloomberg, Deputy Mayor for Health and Human Services Linda I. Gibbs and Center for Economic Opportunity Executive Director Kristin Morse today announced a pilot program to expand the Earned Income Tax Credit for low-income single workers without dependent children, with the goal of increasing employment and earnings. The \$11 million, four-year pilot will offer up to \$2,000 for three years to participants earning \$26,500 per year or less. Considered the largest and most successful antipoverty program in the United States, the Federal Earned Income Tax Credit has significantly increased employment and earnings for low-income families, lifting 6.6 million people out of poverty nationally in 2011 alone and contributing to substantial increases in employment among single mothers. The Federal Earned Income Tax Credit for single-tax filers offers only up to \$475, and research indicates that for single workers an enhanced Earned Income Tax Credit could potentially increase employment and incomes by as much as 12 percent. The pilot will feature a total of 6,000 participants, with 3,000 eligible to receive the supplement and 3,000 forming a control group. The program is the 64th antipoverty initiative launched by Center for Economic Opportunity, which was found in 2006 to explore innovative solutions to deeply entrenched poverty challenges.

“New York City’s job market continues to grow and as the national recession has slowly turned to recovery, New York City has seen job growth at nearly double the national rate,” said Mayor Bloomberg. “The Center for Economic Opportunity was created as a

laboratory to test innovative solutions to the intractable problem of poverty, and this pilot program will test whether expanding the income tax credit will incentivize work for those at the beginning of the economic ladder.”

“Our Administration is committed to finding new solutions to some of our most difficult social problems, working to ensure economic opportunity for all New Yorkers,” said Deputy Mayor Gibbs. “We are committed to funding what works, which means we will not continue to fund programs that fail.”

“Since its launch in 2006 the Center for Economic Opportunity has maintained a unique flexibility in testing new approaches in the fight against poverty, and the Earned Income Tax Credit demonstration marks a significant milestone in that research,” said Center for Economic Opportunity Executive Director Kristin Morse. “As the most successful antipoverty program in the United States, it’s time to build an evidence base to test whether even more low-income households can benefit from this critical resource.”

“The Federal Earned Income Tax Credit has played a role in the tremendous gains in single mothers’ employment we have seen since welfare reform,” said Human Resources Administration Commissioner Robert Doar. “This pilot has the potential to make a difference in promoting work among adults without minor children at home—including noncustodial fathers.”

“Today’s announcement celebrates the administration’s innovative poverty- fighting programs,” said Finance Commissioner David Frankel. “Whether it was the creation of a City Earned Income Tax Credit, the Tax Credit campaigns, or Finance’s mailing program that has put over \$15 million in the pockets of New Yorkers who were qualified for the EITC but had not previously applied, this administration has always been at the forefront when it comes to helping the working poor. I commend Mayor Bloomberg, Deputy Mayor Gibbs and Center for Economic Opportunity Executive Director Morse for their determination in making sure low-income New Yorkers are rewarded for their hard work.”

“Over the past decade, the Mayor’s Campaign has been a major success and has helped New Yorkers claim more than \$20 billion in Federal, State and City refunds, including \$1 billion directly through the City’s network of free and low-cost sites,” said Department of Consumer Affairs Commissioner Jonathan Mintz. “Investing a portion of tax refunds into initiatives like SaveUSA can have a significant impact on creating savings for New Yorkers who make less than \$18,000 a year. For many New York City

families, their tax refund is the largest check they may receive each year and, thanks to Center for Economic Opportunity new pilot, we will now be able to explore the impact of how expanding the Earned Income Tax Credit for low-income single workers can increase financial security.”

“We applaud New York for this important innovation that reshapes the Earned Income Tax Credit to better reward thousands of workers who are financially vulnerable,” said Neera Tanden, President and Center for Economic Opportunity of the Center for American Progress. “The Earned Income Tax Credit has lifted millions above the poverty line, but does very little for workers without children. The Center for American Progress has long advocated for expanding the Earned Income Tax Credit to childless workers and hope others will follow Mayor Bloomberg’s lead.”

“Both the employment rate and the wages of single males have fallen greatly over the past several decades. The Mayor’s plan to lure single noncustodial parents into the labor force by subsidizing their earnings gets my nomination as the best idea since the Mayor launched his campaign to fight teen pregnancy,” said Ron Haskins, Senior Fellow of Economic Studies at The Brookings Institution. “This proposal will increase both employment and marriage rates, the two best ways to fight child poverty.”

The pilot will test the potential impact of a simulated Earned Income Tax Credit on employment and earnings for participating single adults. The pilot will simulate the income tax filing process by having participants present their completed annual tax forms to claim the enhanced credit. Employment and earnings will be compared between recipients of the supplement and the control group to test its impact. The Center for Economic Opportunity will oversee this research project, which will be conducted by an independent evaluation firm contracted by the City. The project is designed to simulate the Earned Income Tax Credit but is not an actual tax credit, and is not operated through the City, State or Federal tax system. The demonstration will also test whether the credit can improve compliance with child support requirements among non-custodial parents.

The Earned Income Tax Credit pilot also supports Mayor Bloomberg’s Young Men’s Initiative, a comprehensive program to address disparities between young black and Latino men and their peers. Many single males with a high school diploma or less are not participants in the labor market or are in low-wage jobs. Low-skill workers have seen a decline in real wages; one in four workers in 2011 earned \$23,005 per year or less, equivalent to \$11.06 per hour. The Federal Income Tax Credit for single workers

currently offers up to \$475 for annual earnings up to \$13,900, beyond which individual workers lose eligibility. A full-time single worker without dependent children earning minimum wage is currently ineligible for the Federal Earned Income Tax Credit. Low-wage jobs will continue to make up a significant fraction of all employment, according to the Department of Labor, and a majority of new jobs created through 2020 will require no more than a high school diploma.

The Center for Economic Opportunity was established to develop and evaluate innovative antipoverty programs. More than 500,000 individuals have been served by Center for Economic Opportunity programs, securing more than 30,000 job placements, more than 10,000 paid internships, and over 10,000 college or occupational training enrollments. The Center for Economic Opportunity declares programs successful only when they demonstrate significant impacts. Programs that either lack strong results or fail to drive change within City agencies are discontinued and resources reallocated to new projects.

The Center for Economic Opportunity has launched 64 antipoverty programs since 2006, 21 of which have expanded beyond their initial scale and investment and 15 of which have been discontinued for failing to achieve the level of results required for continued investment. The decision to declare a program successful is based on meaningful impact for participants, the potential for broad applicability, and agency commitment, including allocating existing or additional funding. Programs are declared unsuccessful and discontinued for a wide variety of reasons, including poor program models or implementation, lack of transferability, intentional expiration of short-term pilot demonstrations or one-time investments.

Today the Center for Economic Opportunity announced four of its antipoverty pilot programs successful, while three will be discontinued and three provider partners will be cut. The following four Center for Economic Opportunity initiatives have demonstrated successful outcomes:

- **Center for Economic Opportunity Poverty Measure.** New York City was the first locality in the nation to rethink the way poverty is measured. Building on the 1995 recommendations of the National Academy of Sciences, the Center for Economic Opportunity Poverty Measure takes into account regional differences in the cost of living as well as benefits such as tax credits, nutritional and housing assistance. The result is a more accurate and nuanced measure of poverty that can better assess the impact of public policy and programs than the existing federal measure. In 2011,

the U.S. Census Bureau released the annual Supplemental Poverty Measure based directly on the Center for Economic Opportunity Poverty Measure.

- **Earned Income Tax Credit Mailings (Department of Finance).** To ensure that more low-income working families claim their Earned Income Tax Credit, the Department of Finance mails eligible filers amended tax returns for prior years—all recipients need to do is finalize, sign, stamp, and mail their amended return to receive the refundable credit from the IRS. Center for Economic Opportunity and the Department of Finance administered this first-of-its kind program in 2007, and it has since been duplicated in Maryland and California. Since 2007, New Yorkers have mailed back nearly 25,000 amended returns and earned more than \$15 million in tax credits. At a negligible cost this program increased income for working families and has been promoted by the IRS and replicated in other jurisdictions.
- **Jobs-Plus (Human Resources Administration and New York City Housing Authority).** This public housing based employment program includes on-site career services, rent incentives, and community outreach to increase employment and earnings in targeted housing developments. A prior study by MDRC showed 16 percent wage gains across the targeted communities. Center for Economic Opportunity resurrected this evidence-based program and has replicated it in New York City and with a federal grant in San Antonio. This year, as part of the Young Men's Initiative, the program is expanding to seven new sites.
- **Office of Food Policy Coordinator (Mayor's Office).** New York City has developed an innovative food policy agenda to increase the availability of healthy foods in low-income communities. The Food Policy Coordinator works to streamline City programs, improve interagency communication, engage stakeholders, and strengthen public-private partnerships. Specific initiatives include implementing nutrition requirements for the more than 270 million meals and snacks served each year by City agencies, overseeing the Mayor's Obesity Task Force, and working to extend the Department of Education's school nutrition initiatives.

Programs that do not produce adequate impacts or broader change in government lose their Center for Economic Opportunity funding. Through rigorous data collection and evaluation, Center for Economic Opportunity has determined that three programs and three national replication providers will be wholly or partially discontinued:

- **CUNY Prep (City University of New York).** Center for Economic Opportunity began funding CUNY Prep in 2007, when there were no full-time GED programs in the city and based on CUNY Prep's high GED completion rate. Since then, the Department of Education has implemented its Access GED program largely based on the CUNY Prep model and CUNY has adapted some of the school's approach for its New Community College. In this way, the pilot program was successful. However, the college component of the program has produced limited results, with few

students ultimately completing college. Center for Economic Opportunity will reduce funding in Fiscal Year 2014, with a plan to discontinue all funding the following year.

- **Nursing Career Ladders (Health and Hospitals Corporation and Department of Education).** Center for Economic Opportunity's Licensed Practical Nurse and Registered Nurse programs provided graduates with nursing credentials and offered job placements within the City's Health and Hospitals Corporation (HHC). In the intervening years, the national recession has led to reduced hiring for Licensed Practical Nurses and recent Registered Nurse graduates. As a result, the program is not currently effective at providing economic opportunities for participants.
- **Youth Financial Empowerment (Administration for Children's Services).** This program offered financial education workshops designed to encourage young adults aging out of foster care to open savings accounts. While many young people participated in the initiative's financial literacy workshops, few ultimately opened and maintained savings accounts.

The Center for Economic Opportunity is replicating five of its promising programs in New York and other cities with a federal Social Innovation Fund (SIF) grant. The Center for Economic Opportunity brings the same accountability to its national project and is ending funding for three sites after these providers either failed to deliver sufficient positive outcomes for participants, or demonstrated constrained organizational capacity. The Center for Economic Opportunity determined the need for these cuts through in-depth monitoring of program data and management.