

Policy Brief

A Multiple Streams Analysis of California's Earned Income Tax Credit



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Abstract

This research explores the political factors limiting expansion of California's Earned Income Tax Credit (CalEITC). The failure to expand the program over the last several years is interesting given evidence that it promises to be one of the most effective tools at reducing poverty and income inequality in California. To conduct the analysis, I combine secondary research with primary interviews to evaluate how the state tax credit was created and how it has developed.

Using John Kingdon's Multiple Streams Approach, I attempt to identify any barriers impeding an expansion of the policy from moving up the political agenda. I find no clear evidence suggesting any challenges in the policy stream. However, there is abundant evidence suggesting that there are in fact barriers in the problem and political streams preventing policymakers from expanding the program. For example, the program appears to have lacked well placed, committed policy entrepreneurs in recent years, and some key interest groups have prioritized other anti-poverty policies. My findings indicate a clear need for more research into both of these streams to develop clear recommendations for policymakers to overcome said barriers.

Introduction

With little intervention from the federal government, for many years, the states have taken the lead in addressing poverty and income inequality by enacting programs that provide relief to working poor Americans. California has been one such state. In the last decade alone, it has taken steps to increase minimum wages and even created its own earned income tax credit (EITC). While there are many widely accepted solutions to mitigate against poverty and income inequality, the EITC is touted as one of the most effective, easily administrable, and bipartisan solutions available to policymakers to address both. Despite being demonstrably effective, the program has seen little expansion since it was first enacted in California in 2015.

In this policy brief, I attempt to determine whether there are any political factors that can explain why the program has seen nominal expansion in nearly ten years. To do so, I gathered and analyzed enacted legislative measures, their analyses, and reports about the results of the program to understand how it has developed. I supplemented this analysis by interviewing individuals that have been involved in the policymaking process during the creation or subsequent expansions of the program to learn whether there are any political dynamics at play that would not be immediately clear in the analysis of said documents. Finally, I used John Kingdon's Multiple Streams Approach to make sense of what is going on and to identify any barriers that need to be overcome to ensure future growth.

The California Earned Income Tax Credit (CalEITC), established in 2015, supplements the federal program by allowing a refundable tax credit to qualified

taxpayers to increase their pre-tax income. In other words, Californians can receive some money back at the time of filing personal income taxes. For the 2018 tax year, it lifted 36,000 families and 93,000 individuals out of deep poverty (Economic and Statistical Research Bureau, n.d.-a). The next tax year, those numbers increased to 49,000 and 115,000 respectively (Economic and Statistical Research Bureau, n.d.-b). Tax year 2020, the first year of the pandemic, saw those numbers decrease slightly to 48,000 families and 112,000 individuals (Economic and Statistical Research Bureau, 2022). The most recent tax year for which there is publicly available data for, 2021, those numbers again declined to 44,000 families and 104,000 individuals lifted out of deep poverty. Although these trends may reflect larger trends in the economy, the program is reasonably effective at lifting people out of poverty. Despite having some success, being easily administered, and having bipartisan support, the program has changed very little since it was first created. To better understand what is going on and why, the research that follows looks at how the program has evolved.

Background

Before the COVID-19 pandemic, poverty in California had been on a steady decline. In spite of a booming economy in the pre-pandemic years, in 2019 about 34 percent of Californians lived in or near poverty (Kimberlin et al., 2021). Although lower than pre-pandemic levels, poverty in California is once again on the rise. In addition to increasing poverty, income inequality—which was also on the decline pre-pandemic—is once again increasing. Notsurprisingly, people of color are not only overrepresented at

the bottom of the income distribution, but also have higher poverty rates than their white counterparts (Bohn et al., 2021 and Thorman et al., 2023).

It is widely accepted that poverty and excessive income inequality are bad, but it seems important to unpack *why*. Although most focus on the effects of childhood poverty, there is extensive research documenting the effect poverty can have on Californians. Poor children are more likely to experience: family problems; health and behavioral problems and inadequate access to health care; inadequate schooling; homelessness; and criminal behavior and criminal victimization (University of Minnesota, 2015). Once a person experiences any of these conditions, they are more likely to enter a compounding cycle of circumstances and stress that can be detrimental to how they develop into adults and members of society.

Income inequality is more complicated. It is different in the sense that some economists believe having some is a normal consequence of a market-based economy. It is when there is excess income inequality that problems begin to arise. Although it is unclear exactly *why*, there is a handful of literature holding that high levels of income inequality are tied to low levels of well-being (Alesina et al., 2004; Senik, 2009; and Thurow, 1971; Diener et al., 1995; Haller and Hadler, 2006; Brush, 2007; Choe, 2008; Costa and Kahn, 2003; Hsieh and Pugh, 1993; Kawachi et al., 1997; Kelly, 2000; Savolainen, 2000; Veenhoven 1995, as cited in Ifcher et al., 2019).

To mitigate some of these effects, the federal government and California invest substantially in safety net programs that mitigate poverty and income inequality such as food and cash assistance, housing subsidies, and tax credits. This research will focus

on the third. It is worth noting that the CalEITC is closely tied to the federal program it was modeled after, however, this research focuses solely on the state program.

Although they have evolved over time, the implementation of negative (refundable) tax credits was borne out of a federal effort to reduce America's dependence on traditional welfare programs. The federal EITC, enacted in 1975, ended up being a catalyst for social change in the United States by guaranteeing a basic income for working people who, despite having income, were still poor (Hausamn, 1973). Since then, 31 states, the District of Columbia, Guam, Puerto Rico, and even some municipalities have enacted an earned income tax credit (EITC), including California (National Conference of State Legislatures, 2023).

The EITC is delivered at the time of filing taxes to individuals who meet required qualifications (see Table 1). Depending on earned income, filing status, and number of qualifying children, and other minimum qualifications filers may be eligible for a maximum state credit of \$3,529 and maximum federal credit of \$7,430 (see Table 2). The credit reduces taxes owed. If a person's tax liability is smaller than the credit, the filer will receive the remaining cash back. This use of the tax system allows the government to guarantee a minimum income without impacting the labor market.

Table 1. CalEITC minimum qualifications for tax year 2023 (Franchise Tax Board, 2024)

Single filers must meet the following criteria:	<ul style="list-style-type: none">● Be 18 years old or have a qualifying child● Have earned income of at least \$1.00 and not more than \$30,950● Have a valid Social Security Number or Individual Taxpayer Identification Number (ITIN) for filer, filer's spouse, and any qualifying children● Live in California for more than half the filing year
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	<ul style="list-style-type: none"> • Not be eligible to be claimed as a qualifying child of another taxpayer • Not be eligible to be claimed as a dependent of another taxpayer unless you have a qualifying child
Married/Registered domestic partners (RDP) filing separately must meet the following criteria:	<ul style="list-style-type: none"> • Had a qualifying child who lived with the filer for more than half of the tax year, and: <ul style="list-style-type: none"> ○ Lived apart from spouse/RDP for the last 6 months of the tax year, or ○ Legally separated by state law under a written separation agreement or a decree of separate maintenance and did not live in the same household as spouse/RDP at the end of the tax year

Table 2. Tax year 2023 maximum income and credit amounts for CalEITC and federal EITC (Franchise Tax Board, 2024)

Number of qualifying children	CalEITC Max. Income	CalEITC Max. Credit	Federal EITC Max. Income	Federal EITC Max. Credit
None	\$30,950	\$285	\$17,640	\$600
1	\$30,950	\$1,900	\$46,560	\$3,995
2	\$30,950	\$3,137	\$52,918	\$6,604
3	\$30,950	\$3,529	\$56,838	\$7,430

Development of the CalEITC

To explore how the CalEITC evolved, I analyzed legislative measures that made direct or indirect changes to the program. To narrow the scope of this research, I focused only on measures that were enacted. I found a total of 19 measures associated with the program and analyzed their text, committee and floor analyses, and vote disposition.

California became the 26th state in the nation to create an EITC in 2015 via two measures: the Budget Act of 2015 (Weber, 2015) which allocated funds to implement and Senate Bill (SB) 80 (Committee on Budget, 2015) which amended the Revenue and Taxation Code to create the program. The credit reaches an extremely low-income group, annually set by lawmakers as some percentage of the maximum federal EITC. At the time it was created, the Brown Administration predicted that the program would provide \$380 million in benefits to 2 million Californians (State of California, 2015). Floor analyses, at the time, noted that the CalEITC would complement the federal EITC by providing low-income Californians refundable tax credits for households with incomes less than \$6,580 if they had no dependents or \$13,870 if they had three or more. While understanding whether there are specific focusing events or policy entrepreneurs that created a more favorable environment for the program to be enacted, my focus is not on how it was created but how it has evolved and why.

Analysis of enacted EITC law, nearly ten years and twenty measures after it was established, finds that the program has been modified in three distinct ways over time (see Figure 3). First, about a fifth of the measures analyzed were what I call substantive (I use this term lightly) expansions of the program that target priority populations for

benefits. Second, there have been straightforward appropriations to administer the program. Finally, and this encompasses the bulk of the legislation enacted, there has been an effort to increase knowledge of the program's benefits through outreach and education.

Substantive Expansions

I found several substantive expansions of the CalEITC through state legislation. SB 106 (Committee on Budget and Fiscal Review, 2017), the first expansion, aligned the program more closely to its federal counterpart by allowing earned income from self-employment, which had previously been excluded. It also increased the program's income eligibility threshold to \$22,300 annually. The following year it was expanded again via SB 855 to revise the definition of an "eligible individual" to include everyone aged 18-24 or greater than 65 years old. It also expanded the eligible income range, now up to \$30,950, for individuals who had dependents and were working less than full time at the 2019 minimum wage (Committee on Budget and Fiscal Review, 2018). The program would not be expanded again until 2020, via AB 93 (Committee on Budget, 2020), when it was expanded so that individuals that file with an Individual Taxpayer Identification Number (typically undocumented immigrants) were eligible to receive the CalEITC. It additionally specified that children six years or older would count as qualifying children as long as there was one child under six in the family (Committee on Budget, 2020). In 2022, it was expanded for the last time via SB 201 which created an additional credit for CalEITC recipients who are between 18-25 years old and were previously in the foster care system.

Appropriations

The state legislature also passed appropriations bills related to the program. Twenty percent of the measures provided appropriations for the FTB to administer the program. For example, all AB 93 (Weber, 2015) did was appropriate nearly \$22 million for the FTB to administer the program. Other measures, such as SB 826 (Leno, 2016) and AB 178 (Ting, 2022), appropriated dollars for the FTB to implement the program and dollars for NGOs to perform outreach and education activities. Altogether, legislation enacted to-date has appropriated about \$110 million to implement the program. Speaking to the cost-effectiveness of the program, \$110 million is only about three percent in administrative overhead over the program's lifetime, to deliver \$3.3 billion back into working Californians' pockets.

Outreach and Education

Finally, about forty percent of the legislation has been an effort to increase knowledge of the program's benefits through outreach and education. This includes funding for non-governmental organizations (NGOs) to perform outreach and education activities that spread awareness of the CalEITC to priority populations, such as that included in SB 154 (Skinner, 2022). It also includes statutory required dissemination and information sharing requirements at key state institutions. AB 2881 (Berman, 2022) for example, encouraged the California State University, University of California, and California Community Colleges systems to inform student parents of resources available to them. Others, such as AB 158 (Committee on Budget, 2022), allow state agencies to share, what is typically highly protected information, with each other as a

means of better targeting potential CalEITC recipients and informing them that they may qualify. All aiming to increase uptake of the program by individuals who are eligible but not claiming the credit.

Summary of Legislative Action

As shown in Table 3 that follows, while there has been *some* effort to expand the program, the changes enacted have been more about expanding its reach and less about increasing its impact. The substantive changes that have been made seek to bring benefits to special populations, such as undocumented immigrants or foster system-involved young adults. Ensuring these groups are eligible is equitable, sensible, and just. It is also a conservative, incremental approach for a state that in 2023 had the fourth largest economy in the world. There are potentially more impactful policy alternatives that could have been enacted such as establishing a minimum credit amount, raising the income eligibility threshold further, and increasing credits for those without qualifying children.

The lack of large program expansions is notable because of California's political makeup. Unlike most other anti-poverty programs, conservatives have embraced the EITC (Frank and Witko, 2018). In fact, SB 80 which created the program passed with bipartisan support. Even if they did not, California's legislature enjoys a Democratic supermajority which means they do not need conservatives' support to enact legislation. Furthermore, the current Administration is headed by a Democratic Governor. So why, given the benefits and interest (not to mention a global pandemic), has the program not grown more significantly in nearly ten years? To fill in gaps in my document analysis

(see Table 4), I conducted informal interviews with individuals, who were parties to policy discussions regarding the aforementioned legislative measures (see Appendix A).

Table 3. Development of the CalEITC

Substantive Expansions	SB 106 (Committee on Budget, 2017)
	SB 855 (Committee on Budget and Fiscal Review, 2018)
	AB 93 (Committee on Budget, 2020)
	SB 201 (Committee on Budget and Fiscal Review, 2022)
Appropriations	AB 93 (Weber, 2015)
	SB 826 (Leno, 2016)
	AB 178 (Ting, 2022)
Outreach and Education	AB 2877 (Committee on Human Services, 2016)
	AB 1847 (Stone, 2016)
	SB 826 (Leno, 2016)
	SB 1409 (Caballero, 2020)
	AB 81 (Ting, 2021)
	AB 2881 (Berman, 2022)
	AB 178 (Ting, 2022)
	AB 158 (Committee on Budget, 2022)
	AB 1863 (Irwin, 2022)
	AB 1355 (Valencia, 2023)

****Excludes SB 80 (Committee on Budget, 2015) which created the program; SB 88 (Committee on Budget and Fiscal Review, 2021) which created the Golden State Stimulus and Grant Programs; and AB 88 (Committee on Budget, 2021) which was a clean-up budget trailer bill related to the Golden State Stimulus and Grant Programs.***

Table 4. Respondent Information and Key Takeaways

Respondent	Description	Key Takeaways
1	Senior Budget Consultant	<ul style="list-style-type: none"> ● There are likely a number of barriers preventing a program expansion including: <ul style="list-style-type: none"> ○ significant ongoing revenue loss; ○ lack of policy entrepreneurs prioritizing the program; ○ recent federal child tax credit expansions; ○ lack of engagement from powerful interests/lobbyists; and ○ seemingly inconsequential average credit amount.
2	Budget Consultant	<ul style="list-style-type: none"> ● Budget bill analyses do not contain registered support and opposition; public comments can be found in archival footage from budget hearings where the budget bill was heard. ● The state Assembly drove the momentum for enacting the program in 2015. <ul style="list-style-type: none"> ○ Largely because it was built on how much the state could afford at the time, and on the condition that it would be available only in years that the Legislature appropriated funds to implement the program. ● There are likely a number of barriers preventing expansion of the program including: <ul style="list-style-type: none"> ○ the statute is complicated; ○ current fiscal outlook; ○ shifting budget priorities; and ○ the number of people claiming the credit has not increased significantly.
3	Budget Director	<ul style="list-style-type: none"> ● Advocates wanted to enact a state EITC for decades, then Speaker Toni G. Atkins made it a priority to create the program during her tenure. ● The CalEITC was congruent with the Brown Administration’s fiscal policy approach. ● Labor interests support the program, but have historically prioritized minimum wage law. ● The barrier preventing expansion is the current fiscal outlook.
4	Tax Agency Executive	<ul style="list-style-type: none"> ● There were several failed attempts to create a state EITC before 2015.

		<ul style="list-style-type: none"> ● In 2015, state debt had improved and the budget was in good shape. ● The state Legislature, particularly the Assembly, was the driving force in the creation of the program. ● There are not many lobbyists in this space. ● The policy was attractive to conservatives because it did not disincentivize work. ● The Brown Administration supported the creation of the program. ● There are likely a number of barriers preventing expansion of the program including: <ul style="list-style-type: none"> ○ lack of uptake; ○ the program is obscure (i.e. difficult to identify the benefits); and ○ lack of compelling stories from program beneficiaries.
5	Budget Director	<ul style="list-style-type: none"> ● At the direction of then Speaker Toni G. Atkins, the Legislature included supplemental reporting language directing the Legislative Analyst’s Office to study policy alternatives for creating a state EITC. ● The Brown Administration’s 2015 May Revise included a proposal to create the CalEITC. ● Toni G. Atkins, who grew up poor, has held the highest rank in both houses of the state legislature which provided her unprecedented power and influence over budget committees and priorities. ● Having it authorized every year through the budget process was key to creating the program, and has provided a safeguard if there ever comes a time that the state cannot afford it. ● Labor interests generally support the program, but have been more focused on minimum wage law. ● The program has hit a ceiling as far as the number of people it is serving. ● Hopeful that federal free file programs may increase uptake. ● The policy approach taken during the pandemic (Golden State Stimulus and Grant payments) was due to a number of factors including: <ul style="list-style-type: none"> ○ the Gann Limit; ○ gas prices;

		<ul style="list-style-type: none"> ○ inflation; and ○ it did not require recipients to file income taxes. ● The largest barrier preventing expansion of the program is that it is established and therefore viewed as an ongoing spending requirement. This perception can be a double-edged sword: difficult to cut back, even harder to expand.
6	Nonprofit Advocate	<ul style="list-style-type: none"> ● In 2015, funders financed a group of lobbyists to influence legislators. ● The intersection of a number of champions in the Brown Administration, Legislature, and advocates resulted in the enactment of the program. ● Nancy McFadden, then Governor Brown’s Chief of Staff, was a strong supporter of the policy and arguably the most influential individual in his administration. ● Toni G. Atkins has long been a champion of policies that help low-income people. ● Does not put a lot of stock in the notion that labor interest groups do not support the CalEITC. ● Minimum wage policy is easier to understand and more popular across all states. ● Unclear how much of a priority policies that help poor people are for the current Administration. ● The largest barrier preventing an expansion of the program: “poor people don’t have lobbyists.”

What is Going On, and Why?

If as research suggests, poverty and income inequality began increasing in 2022—and continues to grow in 2024—why was the program expanded so narrowly in 2022? More importantly, what stands in the way of expanding the program today? To understand what may be going on, I draw from John Kingdon’s Multiple Streams Approach (MSA). MSA is a theoretical model that can be used to better understand why some issues move to the top of the political agenda and are more likely to be addressed by policy

makers. The framework consists of three streams—policy, problem, and political— that flow independently until, under the right circumstances, they come together to create a window of opportunity (Craig et al., 2010 and Jones et al., 2015). During this window, the status quo can change and a new policy alternative can be adopted. This typically happens when there is a change in the problem or political streams that makes the environment more suitable for a change to the status quo. If the tide is right, policy entrepreneurs can use their authority and standing to lead a policy to adoption. I use this framework to determine whether there is a breakdown in the process impeding the growth of the CalEITC. I began my research by presuming that there was something amiss in the political stream. Upon deeper inspection I found that there is a lot more going on.

The Policy Stream

The policy stream refers to a given policy community and what its participants agree are possible solutions to a given problem in the area (Craig et al., 2020 and Lascher, 2022). Generally, the community analyzes evidence, over many years, that demonstrates a policy alternative can feasibly address a given issue as decision makers are more likely to adopt a policy that has some degree of expert consensus that it will work (Lascher, 2022). In this case, the policy stream refers to legislative committee staff, agency personnel, think tank analysts, and interest group representatives in the anti-poverty and tax policy arena, and their view of potential solutions to poverty and income inequality.

After analyzing enacted legislation, I was initially concerned that there was something amiss in the policy stream. Though it was diverse, only four of the measures enacted to-date had registered support from experts and interest groups. Normally, I would consider this an indicator that the policy community no longer perceives the CalEITC as a viable solution to poverty and income inequality. Further, some respondents shared concerns about legislators' attitudes towards and understanding of the program's benefits. Some participants indicated that the statute is too complicated to understand or retain legislators' attention. While others interpret the recent stall as a lack of awareness of the policy's value. They point out that they had never heard CalEITC recipient testimony in the legislature. Paired with the data that the average credit is only a couple of hundred dollars, some postulated that policy makers may not recognize how impactful it is for their constituents.

Despite mixed responses, a majority of respondents reassured me that there was consensus from the community for the policy. They chalked up the lack of registered support for budget bills as a result of the budget process. They argued further that the program being funded in every budget year, since it was created, is evidence that there is strong support for the program. Altogether, it is my sense that there is not sufficient evidence to say definitively that there are barriers in the policy stream preventing further expansions to the program.

The Problem Stream

The problem stream refers to problem indicators, focusing events, or policy feedback that demonstrate that there is a problem deserving of policymakers attention.

On the surface, this case seemingly has all three. Upon further inspection it is clear that, although the factors are there, the problem stream is more murky than it appears.

Problem indicators are metrics that can measure the severity of a problem (Jones et al., 2016). There are several studies indicating that poverty and income inequality are growing. For example, between fall of 2021 and fall of 2023 the rate of Californians living in or near poverty rose from 28.7 to 31.1 percent (Bohn et al., 2023). Additionally, as a result of top incomes growing and low incomes shrinking between 2019 and 2021, in 2021 the gap between the lowest and highest income Californians was among the largest in the nation (Thorman et al., 2023). It is possible that policymakers may not consider the growth rate severe or visible enough to warrant action. Alternatively, they may not be connecting the growing problem with the policy alternative.

A focusing event is a relatively rare occurrence that is known to policymakers and the public virtually simultaneously and inflicts present or future harm (Birkland, 1997). The COVID-19 pandemic which propelled society into a public health emergency could be considered a focusing event. It resulted in illness and death of millions. Beyond the physical harm inflicted, it had a devastating impact on employment and the economy. Still, the unemployment rates not seen since the Great Recession were not enough to see more significant changes to the program. While the pandemic changed society, it is worth noting it was an extremely unusual event. Largely because it was not limited to a geographical area, as Birkland (1997) calls for. It was a phenomenon that impacted the whole world and occurred over a long period of time. This could help explain why decision makers took a different approach.

Except for making ITIN filers eligible for the CalEITC, and clarifying that children over 6 are qualifying children as long as there is one child under 6 in the household, the pandemic did not serve as a window of opportunity for a more considerable expansion of the CalEITC. Instead, California enacted the Golden State Stimulus (GSS) and Grant programs, via AB and SB 88 (Committee on Budget, 2021 and Committee on Budget and Fiscal Review, 2021), to provide direct relief to Californians. The first round of the GSS (GSS I) targeted CalEITC recipients; the second round (GSS II), on the other hand, was available to taxpayers with higher incomes. Supplemental interviews indicated that there were several factors that influenced why California took this approach including: concerns over a pending recession; future economic uncertainty; and the Gann Limit which mandates that the state spend revenues beyond a constitutional limit on K-14 education and in returns to taxpayers (Kitson et al., 2022). Regardless of the circumstances, the state made the policy decision *not* to expand the program despite being aware that unemployment was high and millions of Californians were struggling to maintain basic necessities.

Finally, the concerted effort to increase outreach and education of the program seems to indicate a response to policy feedback. Policy feedback refers to information about how well a policy is working (Kingdon, 2002). As noted earlier, 40 percent of the legislation enacted has been related to making Californians aware that there is a program that they may be eligible for. This indicates a shift in the problem being addressed; rather than increasing the level of support the program provides, the legislature has been addressing the number of individuals and families the program serves. The FTB projected that the program would benefit an estimated 825,000

families and 2 million individuals (Committee on Budget, 2015). The data for the first year it was implemented shows that the program severely underperformed, reaching only 36,000 families and 93,000 individuals. Shifting to increasing the uptake by those individuals who are likely eligible, but not claiming the credit, is indicative of a direct response to policy feedback. The lack of uptake was a central theme that came up in supplemental interviews, with some seeing participation in the program as having plateaued and others considering lack of uptake as one of the key barriers preventing expansion.

Ultimately, the sheer fact that there has been a significant amount of legislation suggests that there is a problem to be solved. However, my analysis finds evidence that suggests: 1) problem indicators have not risen sharply enough or are not being connected to the policy solution 2) there has not been a true focusing event to draw attention to the program long enough for a policy window to open up and 3) policy feedback has driven policy makers to address a different problem. Alternatively, it is possible that policymakers recognize a growing problem but have chosen other policy alternatives, such as the minimum wage, as a means of addressing it. All of this demonstrates that advocates have several barriers to overcome in the problem stream to clear the way for a future expansion.

The Political Stream, Policy Entrepreneurs, and Interest Groups

The political stream represents the ideology and attitudes of policymakers, public mood, and trends in the power of organized interests (Craig et al., 2010). Because political parties and control are central to this stream, it is the most dominant. A change in this stream can result in quick, substantial change. California's political ecosystem is

primed to support the growth of progressive tax policies like the CalEITC. Democrats, which control both houses of California's legislature by a supermajority, created the state program. Its Executive Branch is controlled by a Democratic governor. And, unlike other anti-poverty programs, the EITC has historically enjoyed bipartisan support. In addition to this, the public also seems to support the CalEITC, with a majority of those surveyed in a recent survey conducted by the Public Policy Institute of California found that Californians favor increased government funding to expand it (Baldassare, et al., 2023). Nevertheless, the program has not seen substantial growth. Given the near impossibility to extrapolate political dynamics from policy analyses, I asked participants a number of questions regarding what drove the momentum to create and expand the program, as well as what was significant about those enactments.

It became apparent that the political stream has been a major driver of the CalEITC. In particular, the role that powerful policy entrepreneurs (elected and appointed) had in the creation and early expansions of the program. Two names in particular came up: 1) Senate pro Tempore and Assembly Speaker Emeritus Toni G. Atkins and 2) the late Chief of Staff for Governor Edmund Gerald Brown, Nancy McFadden. Central to the political stream is that it matters who holds positions of power and influence. At the time the program was created, Atkins held the Assembly speakership making her the highest-ranking legislator in the body. In her role as speaker she held ultimate control of the Assembly's policy and fiscal initiatives and was instrumental in ensuring the establishment of the state EITC in 2015. At the same time, Nancy McFadden who is widely viewed as one of the most consequential policy advisers in Governor Brown's Administration oversaw the reconstruction of a

deficit-plagued state budget. Both women, champions of policies that improved the lives of low-income people, were the forces behind the creation of the CalEITC in 2015.

While there was consensus that early on there was support from powerful actors, my analysis concludes that there is a lack of available, committed policy entrepreneurs leading the charge on expanding the program today. When asked whether there were any powerful individuals in the Legislature and Administration prioritizing an expansion of the CalEITC, responses were mixed. Some indicated that there was some interest from legislators while others indicated that, although there might be interest, it might not be from a powerful or a big enough coalition of policymakers. This latter point is interesting given that Nancy McFadden stayed in her role until her untimely death in 2018, and from 2018 to early 2024, the same Toni Atkins held the highest position in the state Senate. It is possible that the vacancy left by Nancy McFadden and the 2018 election, which ushered in Governor Gavin Newsom's Administration, are what have limited the growth of the program. To enact a state budget, the Assembly, Senate, and Administration have to reach agreement. It is possible that Senate pro Tem Atkins' power in the legislature post-2018 was curtailed by an unengaged Assembly and an Administration prioritizing very targeted expansions. This is evidenced by the fact that the Senate budget plan for the 2022 and 2023 budget years included more significant expansions of the CalEITC that ultimately did not make it into a final budget agreement.

Discussions with respondents also yielded interesting results regarding the level of support from powerful interest groups. As noted, most of the CalEITC measures enacted to-date are budget trailer bills, and these measures' analyses typically do not include the same elements policy bills do. Support and opposition to budget actions are

typically voiced during a verbal public comment process and not typically noted outside of that. However, labor interest groups, which Frank and Witko (2018) consider essential to EITC enactments, were notably absent. Several interview participants indicated that unions—arguably the most powerful interest group in California—have in recent years prioritized increasing minimum wages over CalEITC expansions. Some conjecture that unions have been more focused on increasing minimum wages because they believe that the responsibility to increase Californians’ incomes should lie with employers and not the state. Others concede that unions have been focused on increasing minimum wages, but disagree with the notion that they do not support the state EITC. They argue that unions would be ready to take action if the program were ever under serious threat. The mixed responses suggest that there may be less weighty interest groups weighing in and competing policy priorities, but not a fundamental disagreement about the state EITC as a solution.

Despite support from the public, interest groups, and a Democratic supermajority in California’s governance structure, it is clear that policy makers’ attitudes toward the program are complicated. There is not a clear, unifying theory on what in the political landscape has deterred the program’s growth. Further research will be necessary to pinpoint the barriers holding back the political stream from converging with the others.

Conclusion

I use the MSA to identify where in the policy process there may be barriers that advocates need to overcome to continue to grow the program. My professional experience and common heuristics informed my assumptions at the onset. My

perception of tax policy being complicated and therefore not worthy of attention, led me to presume that barriers found would all be in the political stream. Upon further exploration, I found ripples in all three streams.

My analysis finds that the program has been expanded four times. Each time, this occurred through a bill related to the budget. Despite the number of legislative vehicles enacted, expansions appear largely technical or incremental in nature. I also find that a majority of those legislative vehicles were typically related to information sharing between state agencies, requirements for employers and state agencies, and allocating funding to nongovernmental organizations for outreach and education of the program's benefits.

My analysis did not find conclusive evidence that the policy community has abandoned the state EITC as a policy solution for poverty and income inequality. However, I did find barriers in both the problem and political streams. Though there are problem indicators, there has neither been the type of focusing event typically associated with a sharp rise in attention to an issue (COVID-19 being very unusual in this regard), nor policy feedback evidencing a problem. It seems that policy makers are either not connecting the problem with the proposed solution, or the evidence of the problem has not risen sharply enough to maintain the attention of policy makers long enough for a change to the status quo. Finally, despite an ideological trifecta, there is some indication that there are not enough policy entrepreneurs or interest groups with political power to enact change leading the charge on the issue. It is possible that recent budget surpluses and a Democratic supermajority results in less policy cohesion. Further research will be needed to identify more specific barriers in the political stream.

By analyzing how the policy has evolved since its inception, this policy brief attempts to shed light on factors currently inhibiting the program's expansion. It may also provide insight as to how policymakers can overcome potential barriers and grow political support for future expansions of the program.

Appendix A

The CalEITC was created through the budget process via a Senate Budget Committee measure (SB 80) and the Budget Act of 2015.

- How much support was there for enacting a state EITC? Was there any opposition?
 - If so, from who? Interest groups? Members?
- Who was driving the momentum to enact a state EITC?
 - The Administration, interest groups, or the Legislature?
- Was there a reason that the CalEITC was created via the budget process rather than through the typical policy bill process? (i.e. with an author, with a policy committee review, subject to appropriations review, etc.)
 - Apart from fiscal considerations, were there other reasons?
- Was there anything significant about the timing of EITC enactment? Could it have been enacted in earlier years? Why/why not?
- Was there bipartisan support for the creation of the program?

The first time the CalEITC was substantially expanded was in 2017 (SB 106), do you recall anything about what led to that expansion?

- To your knowledge, did the expansion reflect research supporting the success of CalEITC?
- Was there any event or change in the political climate that made it more feasible to expand the EITC?
 - Was there any change in groups supporting or opposing expansion?
- What about the subsequent expansions?

It's my understanding there have been discussions about expanding the CalEITC in the last couple of years.

- What, if anything, prevented the program from being expanded in 2022 and 2023?
- What do you think stands in the way of further expansion of the EITC?
- Do you think the EITC has become less of a priority for groups that typically support poverty reduction programs?

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