CLICK HERE FOR THE CHIEF EXECUTIVE OFFICER’S REPORT DATED OCTOBER 1, 2019

CLICK HERE FOR THE DIRECTOR OF CONSUMER AND BUSINESS AFFAIRS’ REPORT DATED DECEMBER 6, 2019
On May 21, 2019, your Board instructed the Chief Executive Officer, in consultation with the Director of Consumer and Business Affairs (DCBA), to report back during the Fiscal Year (FY) 2019-20 Final Changes as well as future budget cycles, with recommendations on new or existing resources to support the appropriate staffing levels needed to execute the ongoing work of the CFE.

Currently, there are 4.0 positions allocated to the CFE within DCBA at an annual cost of $489,000. Although these positions were originally financed with one-time grant funds, these grants have expired. To sustain this program, the FY 2019-20 Supplemental Budget recommendations include $489,000 in ongoing funding. Further, DCBA has identified Cy pres funds for two years to offset the cost of 2.0 additional new positions as well as the repurposing of 1.0 position to augment the CFE. We will evaluate the effectiveness of the CFE during the FY 2021-22 budget process to determine if ongoing funding is necessary to sustain the program. Any recommendations will be made within the context of the overall budget and numerous competing priorities and requests.

Please let me know if you have any questions, or your staff may contact Gevork Simdjian at gsimdjian@ceo.lacounty.gov or at (213) 893-9736.
December 6, 2019

TO:        Supervisor Janice Hahn, Chair  
           Supervisor Hilda L. Solis  
           Supervisor Mark Ridley-Thomas  
           Supervisor Sheila Kuehl  
           Supervisor Kathryn Barger

FROM:      Joseph M. Nicchitta  
           Director

STATUS REPORT REGARDING IMPLEMENTING THE COUNTY’S CENTER FOR FINANCIAL EMPOWERMENT (ITEM NO. 2, AGENDA OF MAY 21, 2019)

On September 1, 2016, at your Board’s direction, the Department of Consumer and Business Affairs (DCBA) launched the Center for Financial Empowerment (CFE) as a two-year pilot project. On May 21, 2019, your Board adopted a motion authored by Supervisors Kuehl and Solis directing DCBA to implement the CFE as a permanent program within the DCBA. The motion instructed us to:

- In consultation with the Chief Executive Office (CEO), report back on new or existing resources to support the appropriate staffing levels needed to execute the ongoing work of the CFE;

- Work in collaboration with relevant Los Angeles County (County) departments to develop and implement a comprehensive Earned Income Tax Credit (EITC) maximization plan;

- As part of the Countywide EITC maximization plan, and in consultation with the CEO and County Counsel, assess barriers utilizing County data to conduct EITC outreach and opportunities for overcoming those barriers so that data can be used effectively as part of an EITC outreach campaign;

- Explore the feasibility of creating a 501(c)(3) nonprofit organization to increase the CFE’s capacity to apply for and accept grants and increase strategic partnerships;
• Develop agreements with relevant partners and nonprofit agencies to support EITC integration and develop a comprehensive plan to recruit Volunteer Income Tax Assistance (VITA) volunteers and support year-round EITC outreach campaigns; and

• Develop a County financial coaching certificate program.

This report serves as our first update on these deliverables.

STAFFING RESOURCES

During the pilot period, the CFE was staffed by one Program Chief, one Consumer Affairs Representative III, and one Consumer Affairs Representative II. Through the 2019-2020 budgeting process, the DCBA was able to obtain the following additional positions for the CFE:

• One Consumer Affairs Representative I;
• One Management Analyst;
• One Fuse Fellow; and
• Two Program Managers.

Additionally, DCBA recently appointed Azusena Favela as the Deputy Director of Economic Development, which includes the CFE. Ms. Favela has over 15 years of experience working with the business community, homebuyers and lenders, community organizations, and emerging entrepreneurs. As Deputy Director, she will lead the development and implementation of program policies and initiatives to meet the mission-critical goals of the division, the department, and your Board. The addition of these positions will significantly help to increase the CFE’s capacity to meet the ongoing demand for its services and improve the efficiency of the unit.

DEVELOPING A COUNTYWIDE EITC MAXIMIZATION PLAN

The federal and State EITC are refundable tax credits targeting low-to-moderate income workers. The majority of benefits accrue to people with an adjusted gross income under $30,000. As noted in our pilot demonstration report, the federal and State EITC are vastly underutilized in the County. Each year, millions of dollars go unclaimed by qualifying taxpayers. Both credits are important because they can substantially increase an income tax refund. For most, an income tax refund is the largest lump sum of money an individual or family receives all year. A refund can allow people to pay down debt and grow emergency funds, and can help reduce reliance on high-cost loans.

Furthermore, research from the Center on Budget and Policy Priorities, the Center for American programs, and other sources illustrates that the EITC helps to reduce poverty and support children's development.
Given these benefits and pursuant to your Board's direction, the CFE is working with other County departments to create an EITC maximization plan to ensure that more County clients are aware of the credits and how to claim them. To support this work, DCBA recently hired a FUSE Fellow to develop and implement our plan. FUSE is a national nonprofit that pairs executive-level fellows with local government agencies to tackle strategic projects with the goal of helping urban communities thrive.¹

DCBA distributed a survey to department heads on August 22, 2019, to identify departmental strategies that may be complementary to EITC outreach. Twenty-two departments responded. Eleven departments indicated that working to promote the EITC and increase utilization would help them achieve their departmental strategic priorities. DCBA held a kickoff meeting with Workforce Development, Aging and Community Services, Department of Public Health, Department of Children and Family Services, and County Counsel on October 17, 2019, to begin brainstorming partnership opportunities. Since then, the CFE has held additional, one-on-one meetings with departments, including the Department of Public Social Services to better understand what data sources may be available to conduct EITC marketing and identify ways to collaborate on outreach. DCBA will continue to work with departments to create a plan to better inform County clients about tax credits and income tax preparation assistance.

Finally, partnership discussions are underway with Golden State Opportunity Foundation, the organization that manages the statewide CalEITC4me coalition, to determine if the CFE can leverage their text-messaging platform to support the initiative.

**VITA DESERTS AND VOLUNTEER RECRUITMENT**

The IRS’s VITA program supports low-to-moderate income Americans, including those with limited means, disabilities, and limited English proficiency, by providing free income tax preparation services. In 2019, tens of thousands of IRS-certified volunteers working at more than 3,700 VITA sites across the country prepared over 1.5 million tax returns, all while achieving a 98 percent accuracy rate, the highest in the tax preparation industry.² Typically, VITA services are provided by community-based organizations. The program is an important tool for ensuring that qualifying taxpayers claim the EITC and are connected to other local asset-building services.

According to data received from the IRS Stakeholder Partnerships, Education and Communication division, there were 151 VITA sites throughout the County last year. Those sites filed 58,200 income tax returns and helped local taxpayers claim $19.1 million in federal EITC funds.

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¹ About Fuse, [https://fusecorps.org/about](https://fusecorps.org/about)
DCBA mapped the location of VITA sites throughout the County and compared it to high-cost lending storefronts using data from the California Department of Business Oversight. Maps and data are provided below.

<table>
<thead>
<tr>
<th>Supervisiorial District</th>
<th>Number of VITA sites per District</th>
<th>Number of VITA sites per District in Unincorporated Areas</th>
<th>Number of HCL per District</th>
</tr>
</thead>
<tbody>
<tr>
<td>District 1</td>
<td>41</td>
<td>1</td>
<td>118</td>
</tr>
<tr>
<td>District 2</td>
<td>20</td>
<td>3</td>
<td>122</td>
</tr>
<tr>
<td>District 3</td>
<td>41</td>
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<tr>
<td>District 4</td>
<td>27</td>
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</tr>
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<td>District 5</td>
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<tr>
<td>Total number of sites</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total number of sites in Unincorporated LAC</td>
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<td>10</td>
<td></td>
</tr>
<tr>
<td>Total number of HCL</td>
<td></td>
<td></td>
<td>452</td>
</tr>
</tbody>
</table>

Based on the review, the northern region of the County’s Fifth Supervisiorial District is particularly underserved by VITA services. Countywide, the data and mapping show a need to expand access to affordable asset building services for County residents. For many, such as residents in Antelope Valley, it is more probable to find a high-cost lender.
than to find a free tax service provider. This speaks to the need for a permanent, well-trained volunteer force across the County to build the capacity of non-profit organizations to provide VITA services.

With support from the Federal Deposit Insurance Corporation Alliance for Economic Inclusion, CFE has begun discussions with bankers to become strategic partners and a source of VITA volunteers. The CFE has gained the initial support of one local bank and continues to explore partnership opportunities with other financial institutions.

Additionally, the CFE has met with staff from the Registrar-Recorder/County Clerk’s office to learn more about the recruitment process for their County Employee Pollworker Program and is working with County Counsel to assess the feasibility of creating a similar program to recruit County employees as VITA volunteers.

ESTABLISHING A 501(c)(3)

Establishing a non-profit organization to support the CFE may help attract, accept, and manage grant funding to advance the CFE’s programs and initiatives.

Generally speaking, the process for a County department to create a 501(c)(3) includes the following tasks:

- Obtain authority from the Board of Supervisors;
- Strategic planning to determine the organization’s mission and objectives;
- Identifying funding and resources to support the corporation;
- Filing articles of incorporation;
- Naming a board of directors;
- Creating bylaws of the corporation;
- Obtaining an employer identification number from the IRS; and
- Filing a registration form with the California Attorney General’s Registry of Charitable Trusts.

The CFE is in the process of evaluating the feasibility of creating a 501(c)(3), including working with a consultant to develop a five-year strategic plan to outline how a 501(c)(3) can support the mission of the CFE. We will update your Board in our next report on the evaluation and plan, and appropriate next steps.

DEVELOPING A COUNTY OF LOS ANGELES FINANCIAL COACHING CERTIFICATE PROGRAM

Financial coaching is widely regarded as an effective tool to help consumers adopt healthy, long-term financial habits and build their assets. Financial coaching services are embedded into many local non-profit asset-building programs, yet there is not a local training entity dedicated to providing skill-building opportunities for financial coaches. Furthermore, there are many untapped opportunities within the County to integrate financial coaching into our social service programs and provide more well-rounded
services to County clients. Establishing a “CFE Training Institute” that provides a local certification program would help us to create a robust network of highly-skilled service providers who are equipped to meet the needs of County constituents.

To accomplish this, the CFE leads a financial capability workgroup composed of senior staff from the following organizations:

- Mexican American Opportunity Foundation;
- Koreatown Youth and Community Center;
- LIFT-LA;
- New Economics for Women;
- East Los Angeles Community Corporation; and
- California State University, Los Angeles – Master of Social Work Department.

The CFE has worked collaboratively with these organizations over the course of several months to:

- Identify the unique challenges that impede the financial wellbeing of County residents;
- Host focus groups with local financial coaches to better understand their needs;
- Assess what is missing from mainstream financial coaching programs; and
- Develop a new financial coaching curriculum that has a regional focus.

The CFE and the financial capability workgroup are finalizing a draft program, and DCBA will begin to identify potential funding sources.

**NEXT REPORT IN 120 DAYS**

DCBA will continue to implement this work and provide your Board with a second status update in 120 days.

Should you have any questions, please contact me or Azusena Favela, Deputy Director, at (213) 974-0133 or afavela@dcba.lacounty.gov; or Dawnnesha Smith, Chief, at (213) 974-4120 or dsmith@dcba.lacounty.gov.

JMN:RC
AF:DS:rv

c: Executive Office, Board of Supervisors
   Chief Executive Office
   County Counsel
   Children and Family Services
   Public Health
   Public Social Services
   Registrar-Recorder/County Clerk
   Workforce Development Aging and Community Services