



MEASURE: Informational Hearing
EXHIBIT: 8
H BUSINESS & LABOR
DATE: 5-20-2013 PAGES: 5
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May 20, 2013

House Committee on Business and Labor
Invited Testimony regarding Oregon Asset Building and the Oregon IDA Initiative
Submitted by: Jesse Beason, Proud Ground

Dear Chair Doherty, Vice-Chair Barton, Vice-Chair, Kennemer, and Members of the Committee:

My name is Jesse Beason. I am Executive Director of Proud Ground, and a member of the Board of Directors of Neighborhood Partnerships. Thank you for the chance to join you all today. I'm here to talk with you about the initiative, how it works and our evaluation process.

The Oregon IDA Initiative

One of the strategies called out by CFED for states to adopt is Individual Development Accounts, or IDAs. IDAs are special savings accounts that allow for individuals with low incomes and minimal assets to save for a specific purpose, receive financial education and training around their financial goal, and then receive matching funds when their savings goal is reached. IDAs have been proven to build financial resilience and change savings habits.

Oregon has a strong IDA program, one of the largest in the country. It was created in 1999, and then modified in 2003. Since 2003, it has enjoyed steady growth and today serves individuals in 33 of Oregon's 36 counties.

How the Oregon IDA Initiative Works

Oregon's Individual Development Account Initiative brings together state government, non-profit partners, and individuals in unique ways. We use a diagram to help us illustrate the relationships.

Oregon Housing and Community Services provides oversight on behalf of the state. They delegate program management and fundraising to Neighborhood Partnerships, a statewide non-profit organization.

Neighborhood Partnerships raises funds for the Initiative using a state tax credit. The tax credit allows individuals and businesses to make a contribution of anywhere from \$1 to \$100,000 to the Initiative. In return, those individuals or businesses qualify for a credit of 75% of their contribution on their state taxes.

Contributions are capped by agreement with Legislative Revenue at ten million dollars, or \$7.5 million in tax credits.

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Dreams Start Here.

The money raised through these contributions is distributed to partners who work throughout Oregon to help individuals develop savings plans, reach their goals, and then earn matching funds. It also pays for the administration and evaluation of the Initiative. Several of our partners have joined us today to talk about their work. The organization I lead, Proud Ground, is also a partner in the Initiative, using IDAs to help Oregonians with low incomes achieve and sustain homeownership.

On this diagram the individuals served by the Initiative are on the bottom. Individuals ages 12 to 86, all with low incomes, work with non-profit organizations throughout the state.

Evaluation

Since 2007, Neighborhood Partnerships has worked with the Regional Research Institute at Portland State University to evaluate the impacts of the Initiative. The evaluation looks at the immediate impacts of the IDAs on individual assets, but we are also interested in seeing the impacts over time and on behaviour, and the impacts on communities.

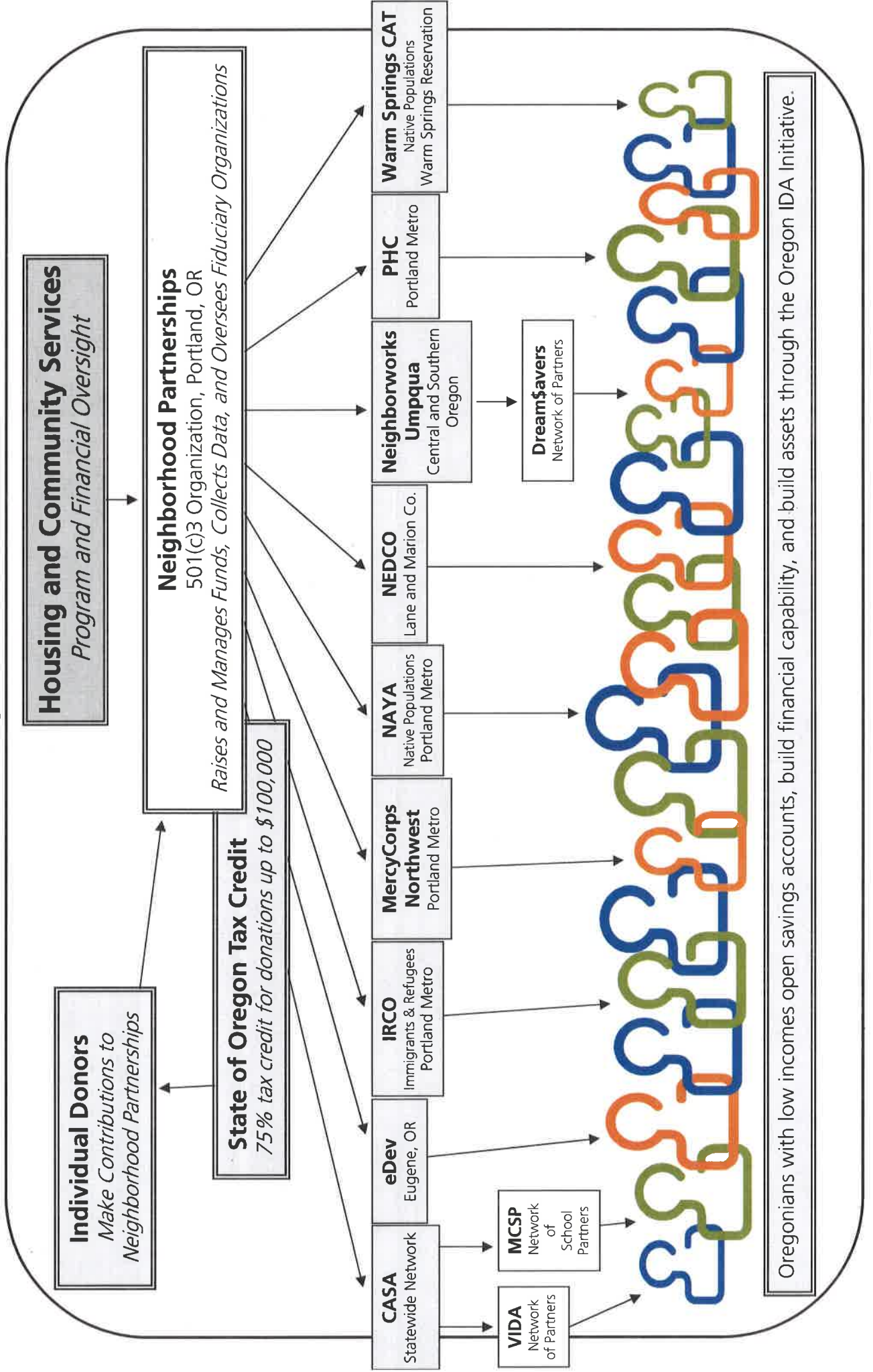
The evaluation shows clear impacts. All of the evaluation reports are available, but to summarize, the evaluators note "dramatic changes in financial behaviors as well as increased confidence in their own competence. Changes in savings and budgeting habits were especially notable, contributing to improved financial circumstances and satisfaction. Nearly 60% had an emergency fund (a key component of financial resilience).

Many participants reported maintaining important financial practices even 12 months after they completed their IDA experience, for example:

- 55% were still using a budget in contrast to only 30% who said they used a budget prior to opening their IDA account;
- 52% still had an emergency fund to tide them over during difficult times.

Oregon Individual Development Account (IDA) Initiative

Initiative-wide Organizational Flowchart



Building Pathways to Prosperity: *The Oregon Individual Development Account (IDA) Initiative*

The Oregon Individual Development Account (IDA) Initiative believes in an Oregon with a strong middle class, where opportunity and prosperity are shared widely. We know that today, too few Oregonians have access to living wage jobs, higher education, and the training to develop new skills. Too few Oregonians have the financial resiliency and resources to withstand life's twists and turns. Nearly three in ten Oregonians are considered asset poor, meaning they don't have enough savings to survive a loss of income for three months.

The Oregon IDA Initiative is a proven approach which provides access to financial education and matching funds to help Oregonians achieve their dream of owning a home, starting a micro enterprise, or continuing their education. This successful collaborative effort provides the skills and funds to help rebuild Oregon's middle class, and, in the process, rebuild Oregon.



What are IDAs?

Individual Development Accounts, or IDAs, are matched savings accounts that build the financial management skills of qualifying Oregonians with lower incomes while they save towards a defined goal. IDAs open up pathways of opportunity and create models of economic success in Oregon communities.

How does the Oregon IDA Initiative work?

Individuals enroll with one of the Initiative Partners, and develop both a goal for saving and a plan for making the most of the IDA opportunity. Individuals must be 12 or older, residents of Oregon, and have low incomes and limited net worth.



Every dollar saved by a participant is matched by the Initiative, typically three dollars for every one dollar saved. When the savings goal is reached and all parts of the plan are completed, IDA participants may benefit from matched funds to help them purchase a home, fulfill an educational goal, develop and launch a microenterprise, restore a home to habitable condition, or purchase equipment to support an employment goal.

Oregonians in 32 of 36 counties across Oregon participate through a strong network of Initiative Partners. The IDA Initiative serves a wide range of Oregonians. Participants range in age from 12 to 86, with an average age of 33 years old. More than two thirds are women (68%).

The Oregon IDA Initiative was started in 1999, and has more than 2,500 successful graduates. The Initiative has empowered Oregonians to save over \$8,760,000 towards the purchase of a lifelong asset. As of January 2013, more than 2,400 Oregonians are currently saving and working with an Initiative Partner.

How is the Initiative funded?

In Oregon, the IDA Initiative is funded through a unique state tax credit. Individuals and businesses make donations to the Oregon IDA Initiative through Neighborhood Partnerships, a nonprofit 501(c)(3) organization. Those contributions, up to \$100,000 per taxpayer per year, are eligible for a 75% State of Oregon tax credit. Donations then go to work all across Oregon to help IDA participants. In 2012, ten million dollars was raised to benefit Oregon's communities.

Participants benefit. Contributors benefit. Oregon benefits.

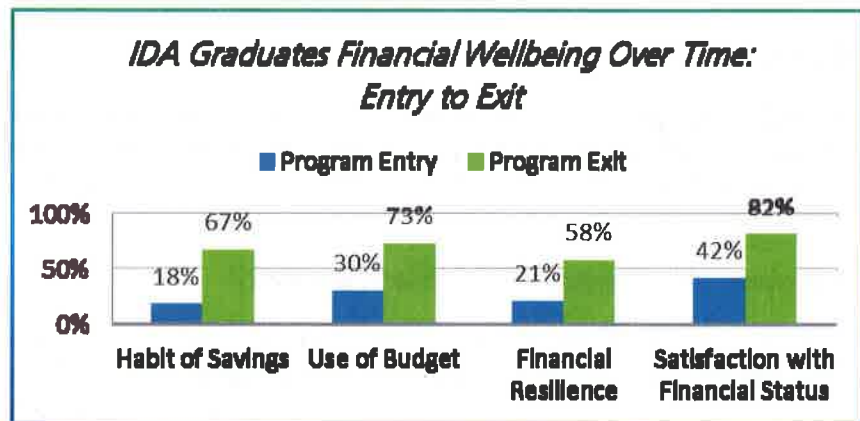
It's easy to donate to the Initiative and qualify for the IDA 75% Tax Credit. Instructions are on the web at www.oregonidainitiative.org.

A Proven and Effective Strategy

The goals of the Oregon IDA Initiative are to create financial health and resilience to rebuild Oregon's middle class. Independent evaluation findings show the Initiative is effective, and has allowed participants to achieve outcomes for themselves and their families that many could not have envisioned on their own.

The evaluation shows that IDA Participants and Graduates:

- ❖ Save for a home (34%), start or expand a small business (28%), and save for continuing their education (36%). A smaller number save in other categories, including assistive technology, employment related equipment and home renovation.
- ❖ 65% of IDA participants graduate successfully from the IDA Initiative and receive matching funds to realize their goal.
- ❖ IDA Participants and Graduates improve their ability to save money, their use of a budget, their financial resilience, their satisfaction with their financial status, and their ability to pay bills on time as a result of the program.
- ❖ Many graduates report decreased personal debt and increased income.
- ❖ Even participants who were unable to complete the program and receive matching funds report improved financial skills, satisfaction, and habits.



This proven and effective approach is independently evaluated by the Portland State University Regional Research Institute. Reports and more information are available on the website at www.oregonidainitiative.org.