



HB 2316 A
Senate Finance and Revenue Committee
May 20, 2013

Chair Burdick, Vice-Chair George, and members of the Committee

My name is Janet Byrd. I am the Executive Director of Neighborhood Partnerships, which is the manager on behalf of the State of Oregon of the Oregon Individual Development Account Initiative.

I'd like to walk you through a quick description of the Oregon IDA Initiative and explain what HB 2316 A does, and then I have two individuals here to talk about the reasons we are proposing this revision to statute. I'll then be happy to answer any technical questions you have.

Introduction, overview of the IDA Initiative

The Oregon Individual Development Account (IDA) Initiative builds financial resilience and creates pathways of opportunity for Oregonians with low incomes in every corner of the state, and we believe rebuilds the middle class. When all of our neighbors have the opportunity to prosper and build foundations for economic stability and resiliency, our whole community thrives.

Individual Development Accounts are matched savings accounts. Individuals with low incomes from all over Oregon work in their communities with organizations that offer them both financial education and support to save money to help them reach a financial goal, such as home ownership, higher education, starting a small business, home repair, and technology in support of employment. When individuals have reached their goal, their savings are matched using funds generated by the Oregon IDA Initiative.

The Oregon IDA Initiative was created by the Legislature in 1999. The Legislative Assembly findings at that time are still relevant today. The Legislature found that:

- Family economic well-being does not come solely from income, spending or consumption, but instead requires savings, investment and the accumulation of assets.
- It is appropriate for the state to institute an asset-based antipoverty strategy.
- Investment through an individual development account system will help lower income households obtain the assets they need to succeed.
- Communities and the state will benefit.

ORS 458.670 sets out goals for the Initiative and defines operating guidelines. ORS 315.271 creates a state tax credit of 75% for contributions to Neighborhood Partnerships on behalf of the Initiative. In 2012 we reached our agreed upon limit of \$10 million in contributions for the first time.

There is a diagram in your packet that illustrates the operation of the Initiative. Under the oversight of Oregon Housing and Community Services, Neighborhood Partnerships solicits contributions in exchange for the state tax credit of 75%. We then, again in consultation with Housing and Community Services, allocate all of those resources to our Initiative Partners, who then work directly with clients and through partner organizations to make IDAs available throughout Oregon.

In your packets is also a two page background piece on the Initiative. It describes our breadth and scope, and gives a quick overview of the results we are seeing. We've worked with Portland State University's Regional Research Institute since 2008 to do an independent evaluation of the Initiative. They are finding evidence of the benefits the Legislature hoped for in 1999 – improved financial habits and brighter futures for Oregonians.

Purpose of House Bill 2316 A

We're here before you today because we have realized that **the statutory definition of eligible participants creates a barrier for our partners and in fact creates a dis-incentive to save for retirement.**

We are asking for a change in this statutory definition. While this would increase the number of individuals who might be eligible to participate, **it does not have a fiscal impact to the state.** Our partners will still work within the spending limits and program goals they agree to with us.

Currently individuals with statutorily defined low incomes and less than \$20,000 of net worth excluding a home and one vehicle are eligible to participate in the Oregon IDA Initiative. HB 2316 with the -1 amendment would also exclude up to \$60,000 of pension holdings from that calculation of eligibility. The two people here with me today are prepared to speak to the importance of this change.

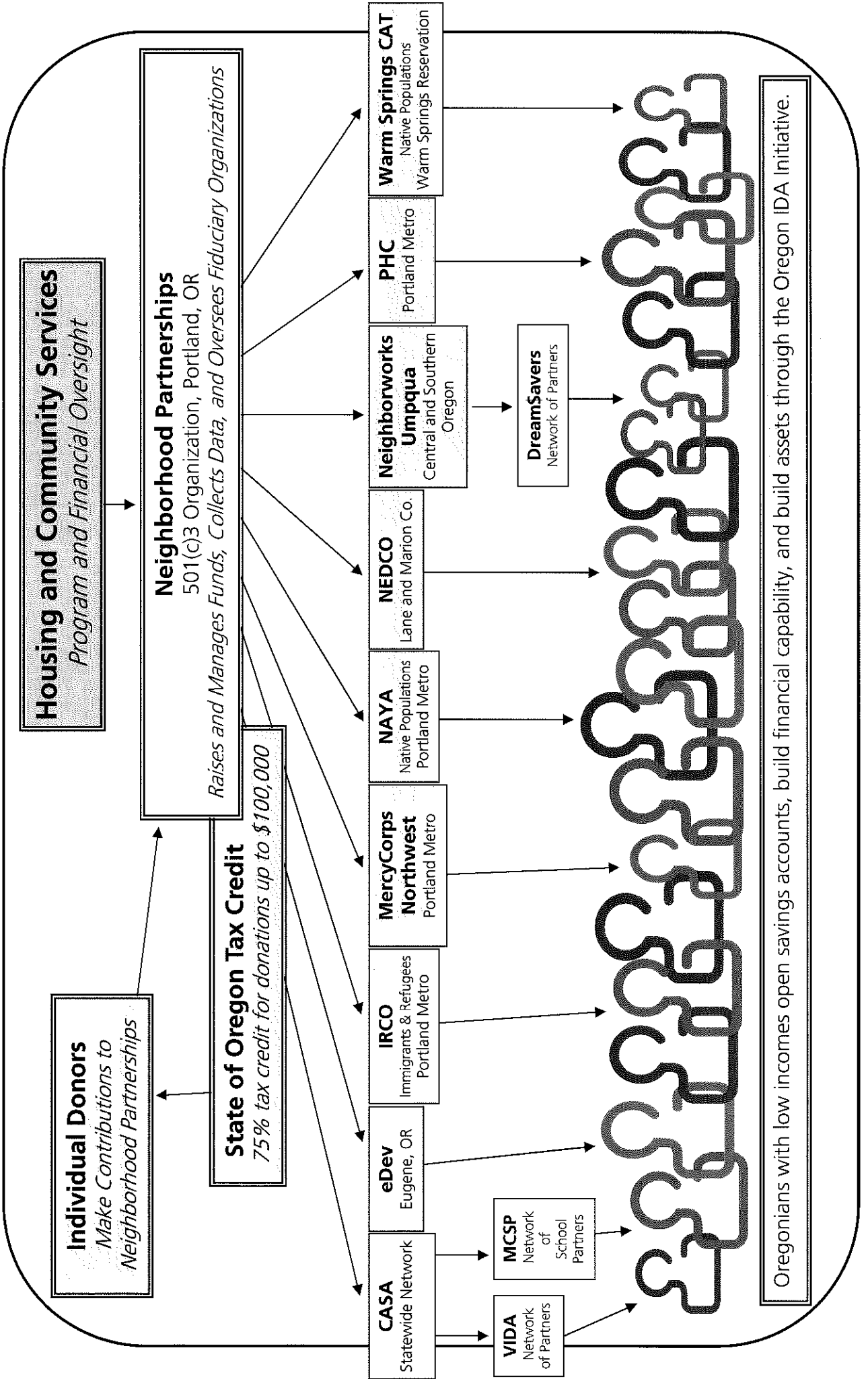
I'd like to be clear that the **income limits will remain in place**, and pension income would in fact be considered when calculating income. So this will continue to be a means-tested program. But we will remove this dis-incentive to save.

I'd like to point you to one additional piece in your packets. A national organization which we partner with, the Corporation for Enterprise Development, looks closely at these issues nationally, and works with state organizations such as ourselves to set policy goals. They have endorsed our work on this issue as being strategic and important in the work to create household financial resilience for Oregonians.

Thank you for your consideration of this bill, and I am happy to answer any questions.

Oregon Individual Development Account (IDA) Initiative

Initiative-wide Organizational Flowchart





HB 2316 a engrossed Building Financial Resilience through Lifelong Savings

The middle class is the foundation of our economy and community. When all of our neighbors have the opportunity to prosper and build foundations for economic stability and resiliency, our whole community thrives.

The Oregon Individual Development Account (IDA) Initiative builds financial resilience and creates pathways of opportunity for Oregonians with low incomes in every corner of the state. Individuals enroll with an Initiative Partner and develop both a goal for saving and a plan for making the most of their IDA.

Individual Development Accounts, or IDAs, are matched savings accounts that build the financial management skills of qualifying Oregonians with low incomes while they save towards a defined goal. Once the savings goal is reached and all parts of the savings plan are completed, every dollar saved by a participant is matched by the Initiative, typically three dollars for every one dollar saved.

Initiative participants may benefit from matched funds to help them purchase a home, fulfill an educational goal, develop and launch a small business, restore a home to habitable shape, or purchase equipment to support an employment goal. IDAs open up pathways of opportunity and create models of economic success in Oregon communities.



The Oregon IDA Initiative is funded by the contributions of individuals and businesses from all corners of the state. Contributions, which are eligible for a 75% credit on state taxes, are used entirely to support the costs of the Initiative.

State law currently exempts \$20,000 plus a potential participant's first home and vehicle from the net worth calculation when determining eligibility. **We propose that the first \$60,000 of the applicant's pension or retirement savings, as defined in administrative rule, also be exempted from the calculation of net worth. Income limits (80% of area median income or 200% of federal poverty level) would be unaffected.**

\$60,000 adds only modest income over time beginning at retirement. The table below shows the monthly payments over fifteen years at various interest rate levels:

At 2%, \$60,000 will pay out **\$386 a month** for 15 years

At 4%, \$60,000 will pay out **\$442 a month** for 15 years

At 6%, \$60,000 will pay out **\$504 a month** for 15 years

Current limits on assets mean that many of our Initiative Partners have had to turn away otherwise eligible participants because of their modest retirement savings. This proposed technical adjustment to the original legislation removes a very serious disincentive to the very habits the Initiative is designed to foster.

To continue creating financial health and resilience, the IDA Initiative needs to remove barriers and disincentives for Oregonians to save for their retirement. We need to empower Oregonians to build pathways to overall financial wellness throughout their lives – including successful, planned retirements. We need to reinforce the value of saving for the future.

Please help us build financial resilience throughout all of Oregon, by investing in the personal and financial growth of individuals. We ask for your support.

Updated 4-8-2013

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.



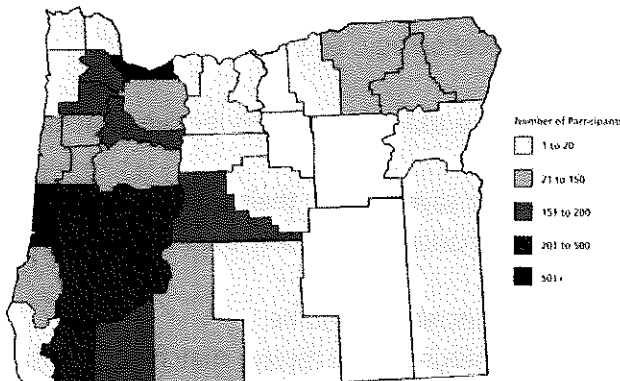
The Oregon IDA Initiative is a proven approach which provides access to financial education and matching funds to help Oregonians achieve their dream of owning a home, starting a micro enterprise, or continuing their education. This successful collaborative effort provides the skills and funds to help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

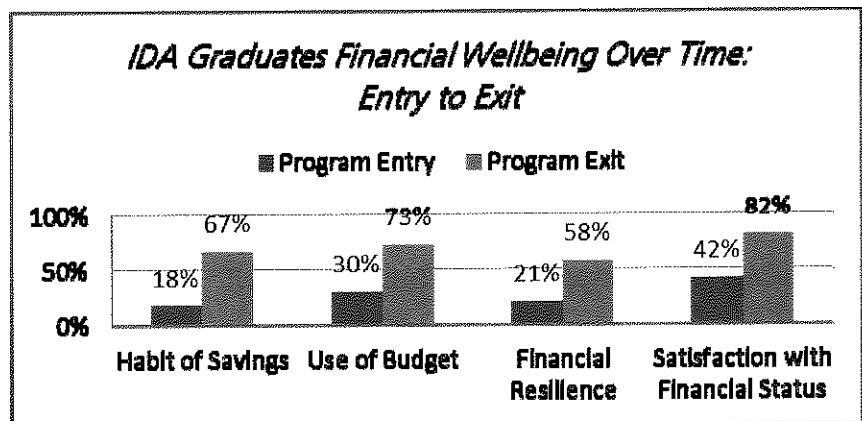
It’s easy to donate to the Initiative and qualify for the IDA 75% Tax Credit. Instructions are on the web at www.oregonidainitiative.org.

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.

STATE PROFILE: OREGON

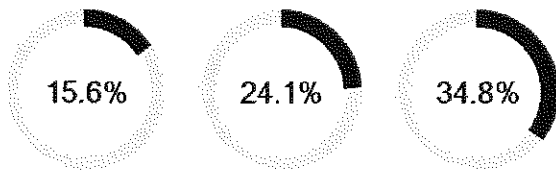


expanding economic opportunity

ASSETS & OPPORTUNITY SCORECARD

The recession's lingering effects have taken an enormous toll on Oregon families. Fully 15.6% of state residents live in poverty and far more are financially vulnerable. The 2013 *Assets & Opportunity Scorecard* found that 34.8% of Oregon households are liquid asset poor, which means that they have less than three months of savings to fall back on in the event of a job loss, health crisis or other income-disrupting emergency. Additionally, 24.1% are asset poor, meaning that the assets that they do have—whether a savings account or durable assets such as a home, business or car—are overwhelmed by debt.

INCOME POVERTY ASSET POVERTY LIQUID ASSET POVERTY



Asset poverty in Oregon is 1.5 times higher than income poverty and liquid asset poverty is 2.2 times higher.

WHAT OREGON CAN DO

- **Expand Refundable Earned Income Tax Credit:** To help low-wage workers afford food and other necessities, Oregon should extend the Oregon state EITC, which is set to expire at the end of 2013, and increase the value of the credit to 18% of the federal credit.
- **Preserve Homeownership:** To increase homeownership rates, lower the housing cost burden and prevent foreclosures, Oregon should continue to invest in its IDA programs and other proven strategies to support first-time homebuyers. The state should also strengthen foreclosure protection and prevention laws ensuring pre-foreclosure mediation by a neutral third party.
- **Increase Asset Limits for Oregon Individual Development Accounts (IDAs):** To avoid discouraging saving for retirement, Oregon should allow modest retirement savings for applicants to the Oregon IDA Initiative.

ABOUT THE SCORECARD

The *Assets & Opportunity Scorecard* is a comprehensive look at Americans' financial security today and their opportunities to create a more prosperous future. It assesses the 50 states and the District of Columbia on 102 outcome and policy measures, which describe how well residents are faring and what states can do to help them build and protect assets. These measures are grouped into five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care, and Education.

For a complete description of *Scorecard* measures and sources, including how the grades and rankings were assigned, go to <http://scorecard.cfed.org>.

KEY HIGHLIGHTS

24%

of Oregon households live in asset poverty

16%

of Oregon households live in income poverty

35%

of Oregon households live in liquid asset poverty

4%

of Oregon households are unbanked

61%

of Oregon households are homeowners

29%

of adults in Oregon have at least a 4-year college degree

Published January 2013





POLICY RATINGS

The *Scorecard* includes 33 policy measures: 12 priority policies and 21 additional policies. For policy priorities, states are assessed against criteria for what constitutes a strong policy. Taken together, these policies provide a comprehensive view of what states can do to help residents build and protect assets. Policy priority data are current as of September 2012; additional policy data are drawn from the latest published reports, usually 2011-2012.

-  Very strong policy
-  Strong policy, but some room for improvement
-  Some policy, but much room for improvement
-  Minimal policy in place
-  No policy in place

FINANCIAL ASSETS & INCOME

Policy Priorities



-  Tax Credits for Working Families
-  State IDA Program Support
-  Lifting Asset Limits in Public Benefit Programs
-  Protections from Predatory Short-Term Loans

Additional Policies

- Income Tax Threshold ... **\$17,000**
- Tax Burden by Income ... **The poorest 20% of families pay 1.2 times more of their income in taxes than the top 1% of families**
- Prize-Linked Savings ... **Prize-linked savings not allowed**
- Paperless Payday ... **Paperless payday not permitted**

BUSINESSES & JOBS

Policy Priorities



-  State Support for Microenterprise
-  Job Quality Standards

Additional Policies

- Unemployment Benefit Level ... **35.8% of average weekly wage**
- Unemployment Benefit Eligibility ... **Uses alternative base period; Benefits for compelling family reasons; Part-time workers not covered**
- Incentives for Employee Ownership ... **WIA-funded feasibility studies; Direct state assistance**
- Loans for Beginning Farmers ... **No state policy**

HOUSING & HOMEOWNERSHIP

Policy Priorities


-  Foreclosure Prevention and Protections
-  First-Time Homebuyer Assistance

Additional Policies

- Housing Trust Funds ... **Has statewide housing trust fund**
- Preservation of Affordable Rental Housing ... **20.7% of LIHTC for preservation**
- Tenant Protections from Foreclosure ... **Has protections beyond federal law**
- Property Tax Relief ... **Circuit breaker for renters; Tax deferment**
- Resident Ownership of Manufactured Housing Communities ... **Medium strength protections; 10 days closure notice and opportunity to purchase; Tax incentive to sell to homeowners**

HEALTH CARE

Policy Priorities




-  Access to Health Insurance

Additional Policies

- Expanded COBRA Coverage ... **COBRA expansion for 9 months**
- Healthcare Information Databases ... **In implementation**

EDUCATION

Policy Priorities

-  Access to Quality K-12 Education
-  Financial Education in Schools
-  College Savings Incentives

Additional Policies

- State-Funded Head Start ... **\$49,946,739 in supplemental funds**
- Quality of State Pre-K Programs ... **Established state program; \$8,454 per child enrolled; 8 of 10 quality standards met**
- Kindergarten Standards ... **Full Day Kindergarten; separate standards; no certificates or training required for teachers**
- State Financial Aid for Postsecondary Education ... **\$114 per student; 100% need-based**
- TANF-Funded Workforce Training ... **7.63% of funds spent on training**
- WIA-Funded Workforce Training ... **1.8% of participants received training**