



**Hearing Before: House Committee on Business and Labor  
HB 4079 - Relating to a lottery savings game; appropriating money; declaring an  
emergency.**

February 5, 2014

Honorable Chair Margaret Doherty, Vice Chairs Bill Kennemer and Shemia Fagan, and members of the House Committee on Business and Labor:

The Doorways to Dreams Fund (D2D Fund) is a national non-profit that strengthens the financial opportunity and security of low- and moderate-income consumers by innovating, incubating and stimulating new financial products and policies. With over ten years experience in this area, D2D Fund has worked with federal, state, and local governments, large financial institutions, national and local corporations, and a range of non-profit providers to achieve our goals. D2D has led the work around Prize-linked Savings in the U.S and is widely regarded as an expert in the field.

Savings are more important to the financial security of American families than ever. Recent research from Dartmouth and Harvard suggests that half of Americans cannot come up with \$2,000 in thirty days and are not well prepared to deal with emergencies. This is particularly true for low- and moderate-income families who have fewer safe and affordable financial options to fall back on when they encounter a drop in income or a large unexpected expense. Research and pilot tests conducted by D2D Fund and its colleagues has found that prize-linked savings accounts (PLS) are a safe and powerful incentive to get more families saving. In the United States, PLS accounts were first offered in Michigan in 2009 through eight credit unions, and have since expanded to more than 60 credit unions in four states. From 2009 to 2012, 40,000 accountholders have saved more than \$70m in the product. The accounts have been effective at engaging financially vulnerable Americans: In Nebraska in 2012, for example, 43% of accountholders were non-regular savers before opening the account, 31% came from households with less than \$40,000 annual income, and 32% reported fewer than \$5,000 in assets (excluding home value). Furthermore, these accounts show evidence of building long-term savings. Over 80% of accountholders in Michigan in 2011 chose to rollover their accounts between years.

Prize-linked savings accounts are an internationally-tested, successful concept in which consumers earn chances to win by saving in insured financial institutions or through government offered products. The accounts:

- ✓ Make savings fun.
- ✓ Provide an incentive for people to save more.
- ✓ Help financially vulnerable families become more financially secure.

- ✓ Create a no-lose proposition for savers. Everyone who saves maintains their deposits, plus whatever interest they accrue, whether or not they win additional prizes.

State lotteries offer a unique and ideal distribution channel to offer a PLS product. Imagine a state lottery product that offers a “win-win” premise for consumers. A consumer buys a “savings ticket” or “no-lose” lottery ticket. The funds are held by the state and the more tickets a consumer buys, the more chances they have to win. Even if they are not a prize winner, their entire principle (the cost of the ticket) is protected and they have that savings to use for their own financial needs. A product offered through the lottery could 1) be designed to fit in well with other lottery products and generate high levels of excitement, 2) attract a wider and diverse set of consumers with the chance to win, without the risk of losing, and 3) reduce access barriers by being available at existing lottery retailers and online.

Importantly, for many consumers, lottery is already viewed as a form of financial planning. In fact, in one survey, 38 percent of those with incomes below \$25,000 thought that winning the lottery represented the most practical way for them to accumulate several hundred thousand dollars. While chances of winning the lottery are low, people use the lottery as a source of hope of what their financial life could be. Imagine if this hope could be turned more into a reality through a win-win lottery product?

Directing the Oregon State Lottery to examine these programs could ultimately help more families across the state start saving for their futures. While D2D Fund is focused on promoting saving for low- to moderate- income residents, a key benefit to prize-linked savings is that it will be accessible to all residents of Oregon State, regardless of income and achieve, at scale, a more secure and strong state overall.

Respectfully submitted,

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