

February 5, 2016

Chair Read and Members of the House Committee on Higher Education,

RE: HB 4019

Neighborhood Partnerships is requesting your support for an amendment to HB 4019. This amendment would address a small oversight from last session's review and renewal of the Oregon Individual development Account Initiative.

An IDA or Individual Development Account is an account opened at a financial institution by an Oregonian with a household income below 80% of the area median or 200% federal poverty level and an eligible net worth of less than \$20,000. Each participant starts with an allowable savings goal, one of which is postsecondary education. That savings goal is woven throughout the client's IDA experience, guided by their personal development plan. The work includes financial education, coaching and counseling specific to the client's goal, and required monthly savings deposits into the account. After they've completed all of those requirements, the participant's savings is matched with program dollars, with payments made directly to a third party vendor.

For postsecondary education IDAs, most often that is a school that fits within their career goals to cover the cost of things like tuition or other necessary expenses to complete their coursework. However, for younger students or for parents wanting to save for a beneficiary, we also have a statutory option to roll over the client savings plus program match into a 529 account after all other program requirements have been completed.

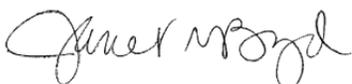
That option was included in legislation that passed in 2000, but has not been used. This was addressed during the 2015 legislative session in HB 2171, the tax credit omnibus bill. However, we realized after sine die that we had made the necessary change in one part of ORS but not a second.

In ORS 458.685 (1)(c) the statute specifies that upon IDA completion, the participant's savings and the program matching funds must go into two separate 529 accounts – one under the participant's or beneficiary's name and one managed by the IDA provider on behalf of the participant or beneficiary. This presents administrative challenges to our network of providers, in that it implies an ongoing fiduciary duty for our network of partners to oversee the account.

The amendment drafted by LC would eliminate this issue, as intended in 2015. It would allow partners to roll over participant plus program match into one 529 for the account holder. This would mirror the structure we have in place for retirement IDAs, in which a participant rolls over both their savings plus program matching funds into a restricted retirement account.

We consider this a technical fix, completing the intention of the 2015 Legislature. This will adjust the 529 language in one part of statute (ORS 458.685 (4)(a)(A)) to be consistent with the other (ORS 458.685 (1)(c)). I would welcome the chance to address any questions, and thank you for your consideration of this request.

Sincerely,



Janet Byrd
Executive Director, Neighborhood Partnerships