

Senator Mark Hass and Representative Nancy Nathanson  
Joint Committee on Tax Expenditures  
900 Court Street NE  
Portland Oregon 97301

Testimony on HB 2164, June 11, 2019

Chair Nathanson, Chair Hass, Co-Chairs, and members of the Joint Committee on Tax Expenditures

My name is Janet Byrd, and I am the Executive Director of Neighborhood Partnerships. Thank you for the opportunity to testify today about the need to incorporate the Oregon IDA Initiative in HB 2164.

The Oregon IDA Initiative brings hope to Oregonians with low incomes. It is a matched savings program that rewards focused work on a financial goal with a boost to what individual effort can produce. IDAs are available throughout Oregon, via a network of more than 80 partner organizations who directly offer IDAs, and a much broader set of organizations that refer clients to IDA providers. You'll see logos of many of our endorsers on the reverse side of my testimony in OLIS, as well as a document showing our partner organization reach.

We know that many Oregonians – 4 in 10 -- struggle with financial stability. Individual Development Accounts work on the ground in all of your communities in concert with other available tools and resources to give people that next step towards stability. They are a flexible, adaptable tool that can support a variety of impacts.

We need action from you in the 2019 Legislative session to keep IDAs viable. We are asking that you incorporate the provisions of SB 790 into the tax credit omnibus.

- First, and absolutely essential, we need to change the value of the tax credit to donors, because of the impacts on marketing of the changes in IRS rules made after the federal tax cut bill was enacted. We are asking for values up to 100% to be included in statute. With a cap of \$7.5 million, this would allow us to raise at least \$7.5 million a year, and hopefully more.

Without this change, which could be done with no revenue impact, the viability of the entire Initiative is threatened. As noted in the evaluation I referenced, the average period of time someone saves in the Initiative is 29 months. Middle school students may be enrolled for five years or more. A drastic interruption of funding would mean a loss of program impact for several years, and if it destabilizes partners' ability to provide services, it could threaten the success of the approximately 3,000 people currently saving through IDAs.

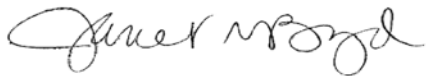
- Second, we are requesting an increase in the tax credit authority above \$7.5 million. We have been flat funded since 2012, and Oregonians across the state are waiting for the chance to build better futures for themselves. With the change in value of the tax credit, an increase of \$3.3 million a year would keep us flat funded, and an increase of \$7.5 million a year would allow the Initiative to grow.
- And, finally, we need to make other statutory changes to eliminate references to old programs and make the program more impactful.

We know that IDAs work. The Executive Summary of our annual [evaluation](#), which I uploaded into OLIS, captures just a few of the impacts of IDAs.

- IDAs have proven to be a critical tool for the development of rural small businesses. Five of eleven – almost half – of Business Oregon’s Rural Opportunity Initiative leveraged the power of IDAs.
- IDAs are a critical tool to advance homeownership in communities of color, and therefore help us address disparities in homeownership rates.
- IDAs work in tandem with other resources, like Oregon Promise and other scholarship programs, to provide the extra boost that very low income students need to ensure student success, and allow programs to begin working with kids in middle school to build hope for success post high school.

We have very few tools that work to build the financial resilience of individuals, households, and communities. Individual Development Accounts are one of the best. We ask your support this session to keep IDAs available.

Thank you for your hard work this session, and the service you provide to our state.



Janet Byrd  
Executive Director, Neighborhood Partnerships



**Protect and Expand the Oregon IDA Initiative in 2019**  
**Build Hope, Achieve Dreams**

**Add SB 790 into HB 2164**

The Oregon Individual Development Account (IDA) Initiative builds strong communities from the ground up, by providing individuals and families incentives and support as they work and invest in their futures.

Oregonians from all corners of the state benefit from IDAs. Local non-profits offer IDAs as a part of other programs to help people build skills and knowledge and practice a strong savings habit. Once skills and savings goals are reached their personal effort is matched by IDA Initiative dollars (usually at a 3 to 1 rate)

Our proposal for legislative changes in 2019:

- **Adjust the value of the tax credit: Protect the Initiative from federal changes**

The Oregon IDA Initiative is funded by a state tax credit, which since 2015 has been set at 70% state tax credit per dollar contributed in 2015. Changes in federal tax rules make the credit unmarketable at 70%. We are requesting flexibility in the credit value up to 100%.

- **Increase tax credit authority above \$7.5 million**

The IDA tax credit has been capped at \$7.5 million since 2012. An increase to \$10.8 million a year keeps the Initiative flat funded, to \$15 million allows us to meet more of the overwhelming demand in our communities.

- **Statutory updates and program adjustments**

- Allow savings to be accelerated**

Increase the allowable state match to \$3,000 per every six month savings period

- Remove outdated references to federal programs, update language, and simplify program administration**

- Simplify administration for home repair IDAs**



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# What are IDAs ?

Individual Development Accounts, or IDAs, are matched savings accounts that change the financial futures of qualifying Oregonians with lower incomes. Participants build financial skills such as budgeting and saving while they save towards a defined goal, and for every dollar they save the Initiative typically matches three dollars.

## How does the IDA Initiative work?

The Oregon IDA Initiative is in all corners of the state. Thanks to a large network of Initiative Partners who work in their communities, private, nonprofit, and public organizations reach individuals and families who use IDAs to transform their lives.

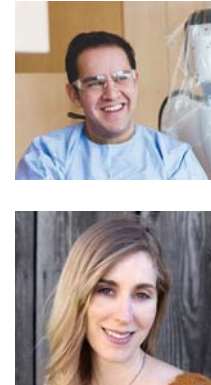
Savings are invested in purchasing a home, fulfilling educational goals, developing a small business, or pursuing another approved asset.

When people have savings, strong financial habits, and assets to fall back on in lean times, they are able to navigate life's bumps and stabilize. Moreover, these assets provide people the security and opportunity to pursue their goals, advance, and reach their full potential. Since 2008:



- ▶ **More than 13,000 Oregon residents have saved in IDAs**
- ▶ **IDAs have been opened in 35 of Oregon's 36 counties**
- ▶ **Collectively, IDA participants have saved more than \$23 million**
- ▶ **All participants are provided financial education and support to build their financial capability and successfully reach their goals**
- ▶ **\$37 million in matching funds have been distributed to approximately 7,000 savers for asset investments**
- ▶ **More than 3,000 people are currently saving**

Contact **Janet Byrd** for more information  
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The Oregon IDA Initiative is managed by Neighborhood Partnerships, the 29-year-old, 501(c)(3) nonprofit partner of the State of Oregon.



## IDA Uses

-  Home Purchase
-  Education
-  Small Business
-  Vehicle
-  Retirement
-  Home Repair Or Replacement
-  Assistive Technology
-  Rental\*
-  Credit Building\*
-  Credit Repair\*

*\*These goals have additional requirements*

## How is the Oregon IDA Initiative funded?

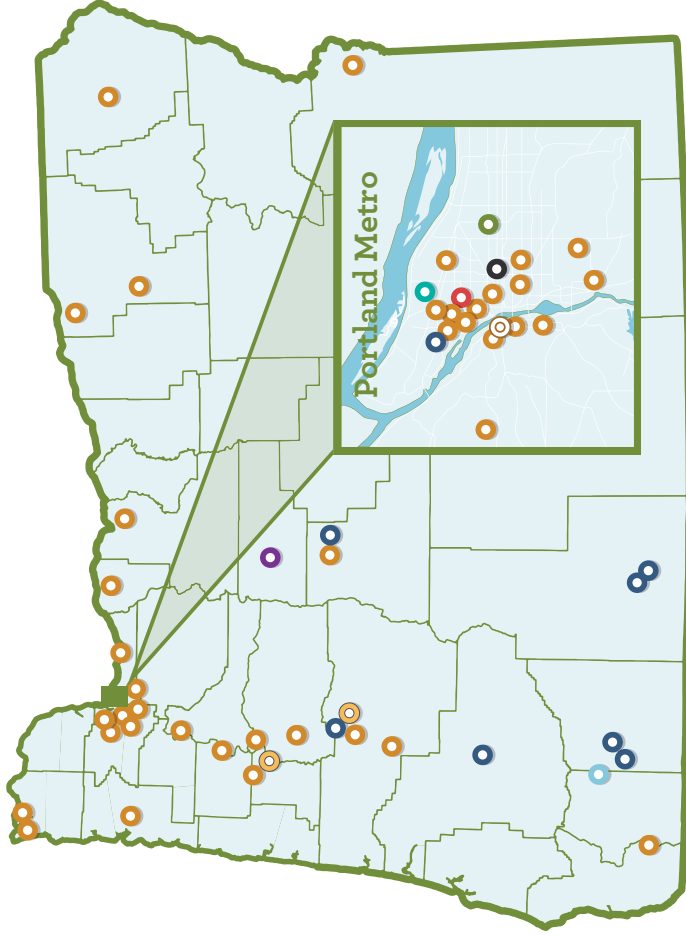


The Oregon IDA Initiative is funded by the Oregon IDA Tax Credit (ORS 315.271). Oregon contributors may receive up to a 70% tax credit on their Oregon state returns for contributions made. This means the state gets \$1 of investment for every 70 cents or less that it spends. Oregon IDA contributors come from across Oregon and contribute a wide range of dollar amounts.

See [oregonidainitiative.org](http://oregonidainitiative.org) for more information

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# IDA Provider Map and Flowchart



College Dreams

Community and Shelter Assistance Corporation of Oregon (**CASA**) Network

Immigrant and Refugee Community Organization (**IRCO**)

Mercy Corps Northwest (**MCNWW**)

Micro Enterprise Services of Oregon (**MESO**)

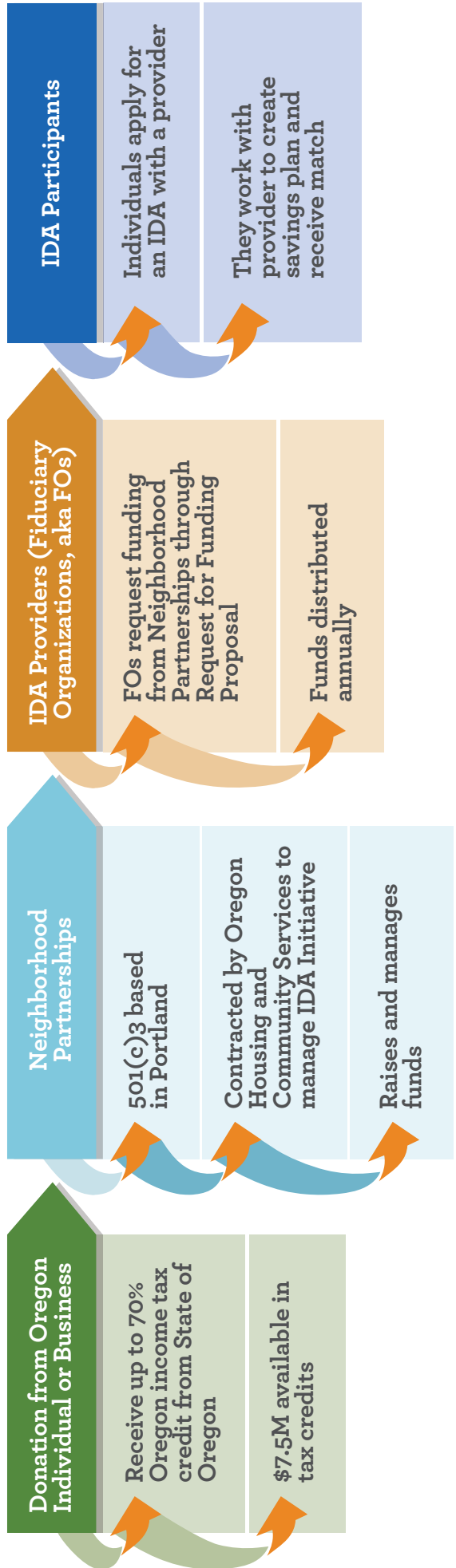
The Native American Youth and Family Center (**NAYA**)

Neighborhood Economic Development Corporation (**NEDCO**)

NeighborWorks Umpqua (**NWU**) Network

Portland Housing Center (**PHC**)

Warm Springs Community Action Team (**WSCAT**)



**Donation from Oregon Individual or Business**

Receive up to 70% Oregon income tax credit from State of Oregon

\$7.5M available in tax credits

**Neighborhood Partnerships**

501(c)3 based in Portland

Contracted by Oregon Housing and Community Services to manage IDA Initiative

Raises and manages funds

**IDA Providers (Fiduciary Organizations, aka FOs)**

FOs request funding from Neighborhood Partnerships through Request for Funding Proposal

Funds distributed annually

**IDA Participants**

Individuals apply for an IDA with a provider

They work with provider to create savings plan and receive match

Managed by Neighborhood Partnerships, the 29-year-old, 501(c)(3) nonprofit partner of the State of Oregon.  
 Contact: Janet Byrd, 503.226.3001 x103, jbyrd@neighborhoodpartnerships.org



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## Executive Summary

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The Oregon Individual Development Account (IDA) Initiative is bringing new levels of financial security to Oregonians with low- to moderate incomes. With incentivized saving, personalized support and financial education, Oregonians are able to access assets that can start an upward spiral of mobility. Through the IDA Initiative, Oregonians with low incomes are purchasing their first home, completing post-secondary education, growing a microenterprise, or investing in one of several other asset categories.

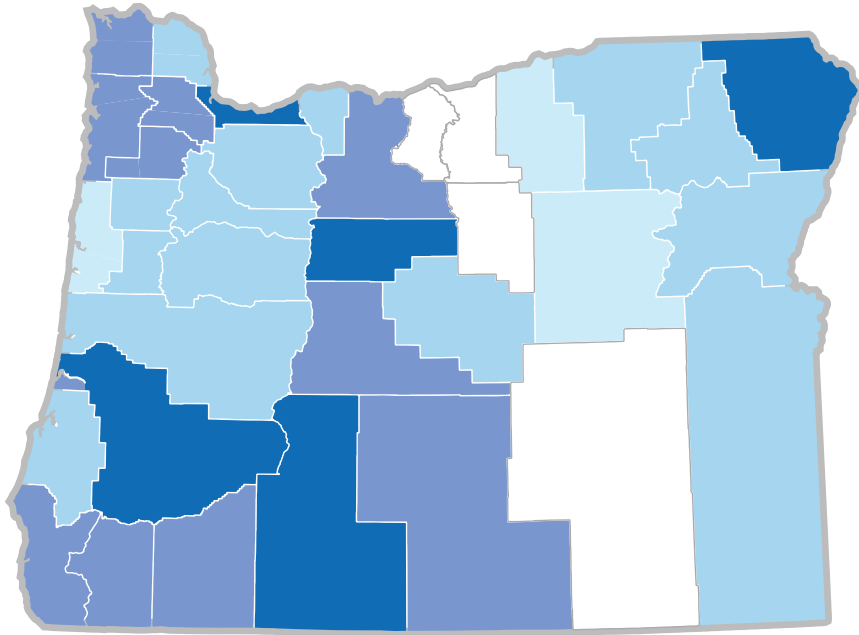
In the most recent surveys, interviews, and administrative data, participants illustrate the power of IDAs to advance financial well-being. Key findings include:

- ◆ IDA participants are successful at saving and making asset investments. In the 2017 program year, the Oregon IDA Initiative provided \$6.0 million in matching funds to 1,108 program completers who saved approximately \$2.5 million. The average IDA completer deposited \$2,300 into their IDA over 29 months and earned \$5,500 in match funds towards their asset purchase.
- ◆ In the year and more following completion of their IDA, participants demonstrate stability that builds on their asset purchase. IDA completers are paying their mortgage on time, finding employment related to their post-secondary training, operating a strong or growing microenterprise, or have otherwise reached a new level of financial security through their asset investment.
- ◆ IDA completers experience long-term improvements in their financial capabilities. Using standardized measures of financial health, IDA completers budget, use automatic saving, and maintain emergency reserves at rates that are greater than nationally reported rates.
- ◆ Through its network of local providers across the state, the Oregon IDA Initiative serves people in all regions of the state. More than half of participants are living on extremely low or very low household incomes. IDAs reach Oregon's communities of color, first generation students, and households leaving public housing.
- ◆ IDA providers build partnerships with a wide range of organizations and systems. They bring expertise and connections to work towards shared goals for thriving Oregon communities. For example, five of the eleven recent grantees of Business Oregon's Rural Opportunity Initiative involve IDA-providing organizations, showing how IDAs can be a critical component of a community's plan for supporting a healthy local economy.

The IDA Initiative increases Oregon households' access to assets, savings, and financial capability. Oregonians who participate in the IDA Initiative express an increased sense of security, financial resilience, and hope for their future. Many participants note that they believe these changes would not have been possible without the IDA. At a time when there are few pathways to the middle class and beyond, IDAs play a role in advancing opportunity for Oregonians.



# 2017-2018 Program Year Participant Information



## IDA savers come from all regions of Oregon.

- 5 or more IDAs per 1000 residents living on low incomes
- 3-4 IDAs per 1000 residents living on low incomes
- 1-2 IDAs per 1000 residents living on low incomes
- Less than 1 IDA per 1000 residents living on low incomes
- 0 IDAs opened in the last three years

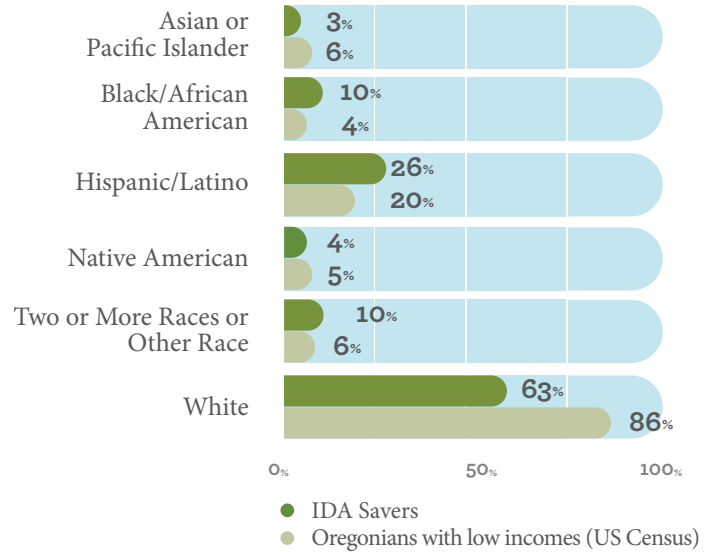
**1 in 5** savers (age 25+) have no more than a high school education.



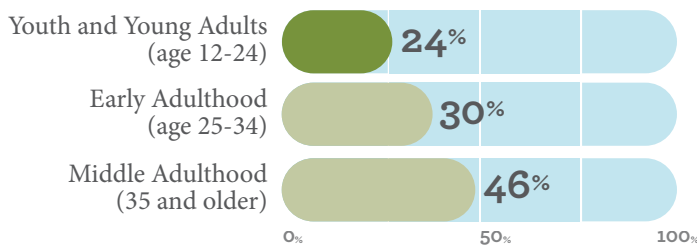
**3 in 5** savers are women.



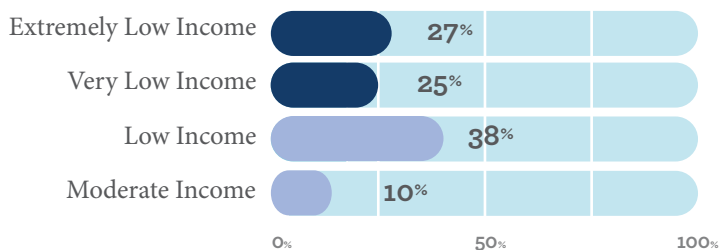
## Oregon's communities of color benefit from the IDA Initiative.



Nearly **one quarter** of savers are 24 years old or younger.



**Most** savers are living on extremely low or very low household incomes (less than 60% of the area median income).

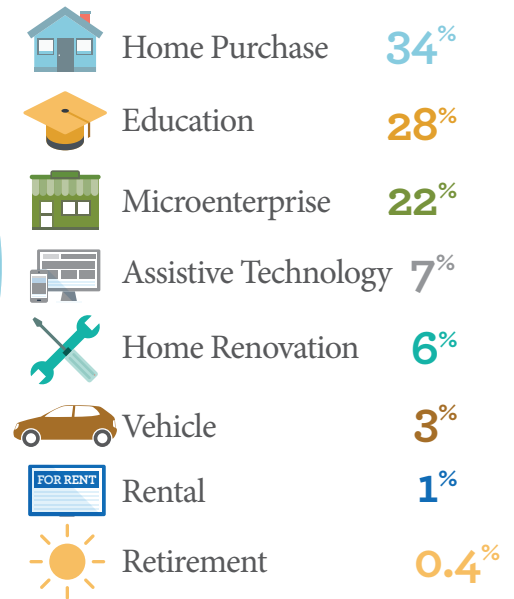
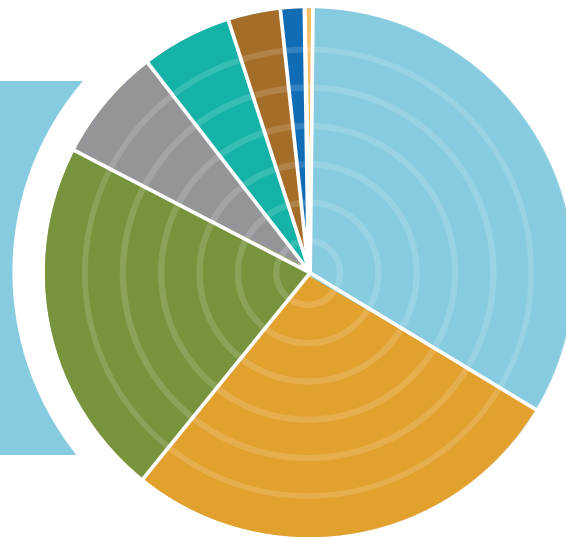


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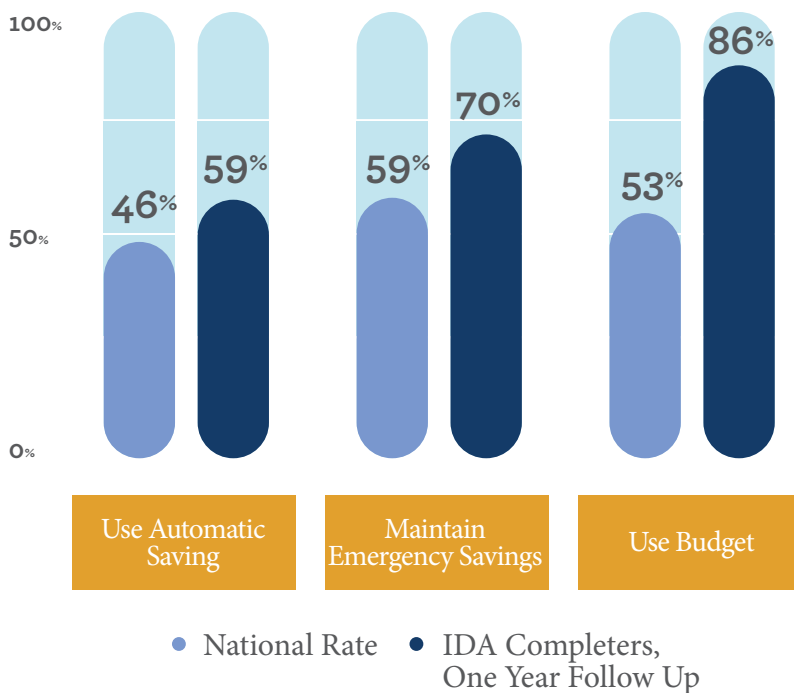


## Through the IDA Initiative, Oregonians are improving their financial resiliency.

IDA participants plan and save for asset-building goals.



### IDA completers build strong financial habits.\*



\*According to The Center for Financial Services Innovation, beneficial financial habits can improve financial well-being, even if income stays the same. Households who have a planned savings habit are four times as likely to be financially healthy as those who do not. National rates are from the Federal Reserve Board, May 2018.

“It was being given the tools, but most important for me, it was teaching me how to apply tools I learned in the classes. It gave me an opportunity to actually make it happen...The possibilities are endless now.”

*Charmaine Reddix, homeowner in Portland*

“Going through the IDA and saving the money has forced me to think more like a business owner. Had it not been for the IDA process I would’ve never had a business plan. I would’ve just kept making decisions without any kind of proof behind it...It’s helped me realize that it’s not something that’s above me and there are people out there to help me when I need it.”

*Kathleen Dickson, owner of OtterBees in Brookings*