

Joint Committee on the First Special Session of 2020

**900 Court Street NE
Salem, OR 97301**

June 25, 2020

Co-Chair Courtney, Co-Chair Kotek, Co-Vice Chair Girod, Co-Vice Chair Drazan, and Members of the Committee:

My name is Carlos David Garcia, and I am Director of Economic Opportunity at Neighborhood Partnerships. Neighborhood Partnerships (NP) is a statewide non-profit organization whose mission is to help create a better Oregon, one in which we all have access to opportunity, stability, and what we need to thrive. For us, this begins with the basic human needs of having a stable and secure place to call home and financial well-being.

NP has the privilege to serve as contract administrator for the Oregon Individual Development Account Initiative (or IDAs) on behalf of the State. IDAs help build hope by creating stronger financial futures for Oregon individuals and families living on low incomes. By providing matched savings opportunities, information about financial systems, and coaching that meets people where they are at, IDAs help savers reach their financial goals and build assets. Savers buy homes, start businesses, go to trade school or college, or meet another financial goal that helps set them on a more stable financial footing. It's this asset accumulation that provides our savers the security and space they need to look ahead, to plan for the future, and to reach their full potential.

We know that COVID-19 is having profound financial impacts on families across the state and on the economy overall. With businesses shuttered, record unemployment, and inadequate systems to meet basic needs of food, shelter, and cash, individuals and families are suffering. We have also seen the inequitable impact that the COVID-19 crisis is having on low-income communities and communities of color. These communities are at a greater risk now because they were at a greater risk before. Prior to the pandemic, the liquid asset poverty rate—meaning does a family have enough in savings to live at the poverty level for three months if there is a disruption in income—[was 34% for White households and a staggering 60% for households of color in Oregon](#). Moreover, one-third of U.S. families had no savings at all, and four in 10 adults would either not be able to cover an unexpected expense of \$400 or would cover it by selling something or borrowing money. This was our “normal,” not because families were not working or were not working hard enough but because of low wages, rising costs of living and rampant institutional, structural and systemic racism in all aspects of U.S. society. With both the death toll and unemployment increasing, these figures will inevitably rise, leaving those who were already vulnerable and exploited to bear the brunt of this crisis.

Oregon needs to implement solutions that meet the needs of communities of color and low-income families. Solutions must both provide the means to stabilize their financial lives during the crisis and set them up to thrive thereafter. The success of any relief measure will be determined by how well it accomplishes these two objectives.

The State has a tool that helps to accomplish both objectives, IDAs. IDAs are in place and ready to move resources to people. IDAs are and will be a critical tool to help meet urgent needs of individuals who are struggling to build or rebuild financial stability, and to help communities rebuild after the negative economic impacts associated with the COVID-19 pandemic. Our data shows that IDAs serve Oregonians who will be hardest hit by the financial hardships that the spread of COVID-19 will create. The IDA Initiative works through a network of community based partners and serves Oregonians in all parts of the state. Our community based providers reach economically vulnerable Oregonians living on very low incomes, that are both urban and rural, and from communities of color. IDAs both provide the means to stabilize financial lives during the crisis and set people up to thrive.

In order to support this work we are asking for statutory changes that would give additional flexibility in the use of currently held state matching funds in order to better respond to the needs of our communities during the pandemic and in the period of economic upheaval and recovery that will follow. Currently, the program allows for IDA savers to withdraw their own funds due to financial hardship; however, matching funds cannot be used and if IDA savers do not replenish those funds or otherwise reach their savings goal they will end up withdrawing from the program without the benefit of receiving IDA match funding. The proposed changes would establish a savings category for emergency expenses to promote financial stability and to protect existing assets. It would also clarify some language around the repayment of funds taken out for an emergency making guidelines less punitive. This would allow IDA savers to have their own funds matched with Initiative dollars to respond to critical financial needs during a period of financial hardship such as unemployment, medical leave or economic downturn. This change will also provide an opportunity for our community partners to engage savers who have been actively saving toward a life goal as they navigate their financial crisis, with funds helping to avoid displacement, debt burdens, fees and other hardship that have long lasting impacts. This change could mean that potentially as much as \$11 million of currently available funds could be utilized to have an immediate impact on our communities. Because of this we urge you to support the modifications to IDAs that are found in HB 4212-8.

Additionally, NP and our IDA Initiative partners would like to suggest an additional amendment to HB 4212-8 and include the acceleration of match funds. In order to allow savers to earn match funds more readily for assets like homeownership, we would like to include the change recommended by the Joint Task Force on Addressing Racial Disparities in Homeownership that earnings be accelerated. We want to change the \$3,000 maximum per 12-month period to \$6,000 per 12 month period. If a saver can reach their goal today in this economic moment,

instead of in 6 months, that could make a world of difference. Match acceleration does not change the match savers receive, just the timeframe until they can make their asset purchase. Accelerated match is a small change—with no budget impact—that leverages those state funds already committed to savers into more immediate returns. Especially in this time of financial upheaval, centering those most impacted and finding solutions to support them is essential.

Lastly, we look forward to working with the Legislature during the next special session to address the vitality of the Oregon IDA Initiative through a budget discussion to ensure IDAs are funded and available across our State.

Thank you for your service to Oregon. We urge you to support the modifications to IDAs found in HB 4212-8 with the addition of accelerated match.

A handwritten signature in black ink, appearing to read 'CDG' with a horizontal line extending from the end.

Carlos David Garcia
Director of Economic Opportunity, Neighborhood Partnerships