



SB 148 & SB 82: One bill whose time has come and one that just goes too far

Testimony for Senate Housing and Development – Jody Wisner – 2.4.2021

IDA’s can provide important financial education and assistance in building better lives by encouraging savings for a home, education, a car or another goal. These bills, together make an important funding decision about Oregon’s IDA program, moving from at tax credit base to a General Fund allocation. **We have long advocated for the change in funding, and support that change which begins with SB 148 and moves to SB 82.**

But while we believe in wealth building, **we think the particulars of the program itself in SB 82 need careful consideration.** The bill asks for expansions in several particulars 1) There appears to be no limit on the costs of training and administration, and 2) There is an expansion is the resources a participant can already have, and 3) The match cap is expanded from \$3000 to \$6000 per year per participant.

For example, **what is the match?** The original design of the IDA program, based on former funding by Congress, was that citizens would receive financial education coupled with matched savings. [According to Investopedia](#), though the federal funding has evaporated, there are still hundreds of IDA programs across the country, providing financial education and usually a 2:1 or 1:1 match, funded by charitable donations and state funding. But in Oregon our match can be far greater. [DevNW](#), one of the organizations providing IDA services in Oregon writes:

IDA participants earn matched savings toward the purchase of major assets, such as their first home, post-secondary education, a vehicle, or assistive technology for work.

An IDA works by providing a 5-to-1 match for your savings up to certain limits.

DevNW receives state funds to make the IDA program possible. The match money is a grant to you; it is not a loan and does not need to be paid back. Learn more about the Oregon IDA Initiative [here](#).

Participation is already open to Oregonians who appear to know how to manage money, yet the bill also allows an expanded amount of owned assets in addition to the increase in the annual match limit.

Maximum Amount of Owned Assets for Participation

Current SB 82

Equity in one residential home	unlimited	unlimited
Equity in one car	unlimited	unlimited
Pension accounts valued at less than	\$60,000	\$120,000
Savings or other assets	\$20,000	\$ 20,000 after debts and obligations
Public money will match annually.	\$ 3,000	\$ 6,000 per 12-month period

In addition, there are income limits as determined by the Housing and Community Services Department. According to the full HCSD chart, these are the current limits for two counties:

	<u>1-person household</u>	<u>3-person household</u>
Washington County	\$51,600	\$66,320
Harney County	\$34,400	\$44,240

Income eligibility requirements for each county and various family sizes are availability [here](#).

According to LRO's *Tax Credit Review: 2021 Session*, on average 1450 participants have enrolled in the IDA program each year since 2015. **With an annual budget of \$8.25 million, that is \$5,690 per participant, a hefty amount. And with the current limit on the match of \$3000 per participant, a lot of overhead.**

We get it that the current mortgage interest deduction gives the owners of a two million dollar home a tax savings of \$2970 each year if they have a mortgage with an interest rate of 3% for one million or more.

But we still are left with wondering if Oregonians who can own a home, a car, a retirement account, and have additional assets of \$20,000, or even any one or two of these, are the people we should be assisting with money management and savings, possibly matching their savings with as much as \$6000 per year.

Further, before moving this bill forward, we think you should ask these questions:

- Can a family of three have three accounts or only one?
- Can employees or family members of the 12 participating organizations have IDA accounts?
- Can the same person or family participate year after year?
- What is your ask this biennium? Do you want continuance of a budget of \$16.5 million for the biennium, or an increase in funding to match your proposed increases in eligibility and annual match?

This appears to be a generous program that asks to be more generous.

Frankly, no one on the TFO Steering Committee could imagine proposing a 1:5 match to our own children or grandchildren. It is an unrealistic lesson. In no investment can one expect returns of this nature. Saving \$100 a month just doesn't add up to \$6000.

We read the bills and follow the money