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To: Rep. Buehler, Chair Lively, and Members of the House Committee on Early Childhood and Family Supports

From: Janet Bauer, Policy Analyst

Re: Comments on HB 3314, HB 3367 to create Children's Savings Accounts

Date: April 12, 2017

We have made a preliminary review of the proposal in HB 3314 and HB 3367 to create Children's Savings Accounts for Oregon children. Thank you for the opportunity to share this brief assessment.

Our typical criteria in evaluating proposals are 1) prospects for promoting economic opportunity and equity, and 2) fiscal integrity of funds spent through the budget and through the tax code.

Economic opportunity criteria

For the first criteria related to promoting economic opportunity, based on some of the research I have reviewed, the effectiveness of a CSA for those who need help both with aspiring to college and affording college depends upon the program fostering family "engagement" with the accounts over time. The current proposal does not suggest that the state would be responsible for fostering this engagement. I understand that proponents envision community, foundation, and business partners would fill that role.

One interim benchmark for measuring the effectiveness of a CSA (interim meaning sooner than the full 18+ years of an account) should be the level of engagement of the target population – low and moderate income households. The CSA legislation should define a minimum level of engagement *among the target population*. Lawmakers should establish a level of performance expected from CSAs, at several periods prior to full maturity of the accounts, for the program to continue to operate with public funds.

Fiscal integrity criteria

As written, the bills raise fiscal concerns. The state will experience a loss of revenue when institutional contributors to the Oregon Bright Futures Fund take a charitable tax deduction. Until Oregon can adequately pay for education and other critical services, we do not think Oregon should create this opportunity for revenues to be diverted away from the General Fund.

Given this, all contributions to the Bright Futures Fund should not be tax-deductible.

If lawmakers reject this recommendation and allow a charitable tax deduction, lawmakers should require the bill's revenue impact statements to include an estimate of foregone revenues from those deductions. And the legislation should require the Department of Revenue to collect sufficient information on tax returns so that the department can calculate the biennial amount of foregone revenues resulting from the program during its operation.