

March 29, 2021

Joint Subcommittee on Transportation and Economic Development
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Co-Chair Beyer, Co-Chair Gomberg, and Members of the Committee,

Thank you for the opportunity to speak in support of HB 5011, the recommended budget for the Oregon Housing and Community Services (OHCS) Department for the 2021-2023 biennium. My name is Carlos David Garcia and I am the Executive Director of Neighborhood Partnerships. I will use most of my time this morning to speak on a particular OHCS program, the Oregon Individual Development Account (IDA) Initiative.

Neighborhood Partnerships is a state-wide organization that centers its work on building systemic, long-term change in order to maximize the impact on the lives of people living with low incomes and people of color. We believe in an Oregon full of financially resilient households where opportunity and prosperity are shared widely and accessible to all.

Neighborhood Partnerships has supported the Department's various programs designed to provide safe, stable, and affordable housing to Oregonians as well as help people pursue prosperity and live free from poverty. Neighborhood Partnerships has also been honored to serve as the contract administrator of one such program known as the Oregon Individual Development Account Initiative or IDAs.

IDAs are a state investment in building financial assets and supporting people living on low incomes and no or very low assets to build hope, financial stability and the assets needed to thrive. The IDA Initiative provides matched savings accounts that boosts the power of a participant's own income and savings, by matching each dollar saved anywhere from 1:1 to 1:5. The program provides information about financial systems, and financial coaching that meets people where they are at and supports them reaching their financial goals.

As Neighborhood Partnerships, we don't do this work alone. IDA savers work with one of our over 70 partner organizations, which are located in every corner of the state. Whether you live in Portland or Ashland, Oregon City or Baker City, Butte Falls or Klamath Falls, every IDA saver works with a non-profit provider in their geographic and cultural community. IDA providers work with savers to help to determine eligibility, develop a Personal Development Plan, open an IDA account a local financial institution, and help them get started savings and working toward their specified asset goal. While

savers are in the program they receive several hours of financial education and coaching before they can access the match on their savings. After a saver reaches their savings goal and meet program requirements, IDA partners disburse the match savings earned to complete their asset purchase and the saver successfully graduates from the program.

IDA savers buy homes, start businesses, go to trade school or college, or meet another financial goal that helps set them on 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. IDAs are a critical tool for Oregonians with low incomes. More than 3,500 Oregonians are currently saving in IDAs, and more than 15,000 have opened an IDA since the program's creation in 1999. Collectively, IDA savers have saved more than \$28 million of their own money in reaching their asset building goals.

The work and impact of the IDA Initiative is especially important right now given the economic uncertainty due to the pandemic. It is vitally important that Oregonians living on low incomes have access to resources like the IDA that gives families and individuals the opportunity to build their financial capability which they can use for the rest of their lives.

For some historical context, the IDA Initiative has been funded through a state tax credit. Donors would make charitable contributions to Neighborhood Partnerships, and that donor would receive a credit on their state tax obligations. This has historically been a successful way to fund the IDA Initiative – not only would a donor receive the state tax credit, they would also receive the federal charitable deduction, resulting in a net benefit for donors.

In the last two years, however, the Initiative has faced some significant funding shortfalls from the IDA tax credit due to federal tax law changes in 2017, also known as the Tax Cuts and Jobs Act. These federal changes made selling tax credits more challenging and resulted in Neighborhood Partnerships being unable to sell the full \$7.5 million authorized in 2019. When compared to the average amount raised in IDA Tax Credits from 2015-2018, the IDA Initiative has seen a reduction of over \$5 million in funding the last two years which translates into over 700 individuals and families not being served by the Initiative.

At the time of crafting the OHCS budget earlier in 2020, we together assumed that the tax credit was no longer a viable path to fully fund the Initiative, and because of this we supported the sunset of the tax credit and instead turning to the General Fund as a new way to fund the program. As a result, there is a request in the Governor's Budget for \$7 million in General Funds. Since then, Neighborhood Partnerships has changed the way it markets tax credits to highlight market conditions and ways contributions could be made that makes financial sense for donors. Our work in adding capacity and marketing the tax credit differently resulted in Neighborhood Partnerships nearly selling out the authorized \$7.5 million in 2020, despite the added challenge of the federal tax changes.

That is why NP along with our IDA partners are supporting HB 2551, a bipartisan bill that would extend the tax credit sunset for another six years as well as proposes some programmatic changes that will allow more flexibility for participants in utilizing their savings.

As you may know, the agency has requested an amount of \$7 million from the General Fund in the next biennium for the IDA Initiative. Neighborhood Partnerships supports this request for funding, but deviates slightly in OHCS' request to sunset the IDA tax credit. We believe the renewal of the IDA tax credit in addition to the \$7 million General Fund allocation is needed and the best way to ensure robust funding to meet current demand across the Initiative.

In addition, I want to support the staffing request for OHCS to increase their staff capacity which works collaboratively with the IDA Initiative. Having dedicated, ongoing General Fund resources for OHCS staffing would mean more dollars would be available to serve additional IDA savers across Oregon.

Thank you for your time this morning. I am happy to answer any questions you may have.

Sincerely,

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

Carlos David Garcia
Executive Director, Neighborhood Partnerships