



101 NE FIRST STREET SUITE 100
ENTERPRISE, OR 97828
541-426-3598

Re: Support for Individual Development Accounts in SB 120 -1

Dear Co-Chair Nathanson, Co-Chair Meek, and Members of the Joint Committee on Tax Expenditures:

On behalf potential IDA savers in northeast Oregon, please raise the cap on the tax credit that funds Individual Development Accounts (IDAs) to at least \$14M, through SB 120 -1.

The Legislature created Individual Development Accounts in 1999. This matched-savings program provides participants with education and individualized support to reach their financial goals, including homeownership, home repair, higher education, purchasing a vehicle, starting a business, and retirement. The state matches participants' own savings up to 5-to-1 to make their dreams a reality. Over 19,000 Oregonians have participated in this life-changing program over the past 25 years – spanning every House and Senate district in the state.

The Northeast Oregon Economic Development District primarily provides IDAs for small businesses, but we also support savers in other asset classes (post-secondary education, vehicle purchase, and assistive technology and specialized training). Since 2008, we have supported 184 graduates, and we are currently supporting 16 savers. Demand for funding always exceeds the amount of funding available. Over 90% of our savers successfully complete the program and receive their matching funds.

Small business development often takes unexpected turns. In 2013, Eva Barnes started saving in an IDA to support her start-up home-based bakery. By 2016, when she was graduating from the program and accessing her IDA funding, her business plan was to open a storefront location in Enterprise so that she could free up her home from being overrun by bakery boxes, cooling cakes and cupcakes, and having her kitchen being used day and night for her baking business. She thought she would be able to have a small seating area and serve coffee and pastries and continue her custom- and wholesale baking business. Within weeks, she had to hire her first employee to provide customer service for walk-in customers. A few years later, her business location was purchased by a redeveloper, and he canceled her lease. He offered her a much larger location at a much higher cost in a building he had recently redeveloped. She was faced with a decision, move to a location with great visibility and higher costs or try to find a location similar in space and cost to her current location. She chose to expand. She expanded the bakery by adding a full-service

breakfast and lunch menu, hired more employees and now operates one of the best restaurants in Enterprise, Sugar Time Bakery. She is a gifted manager and takes unskilled laborers and helps them grow into excellent employees who work as a team. She supports them if they decide to go into business for themselves. And she gives of her time to mentor new businesses who seek her advice and want to learn from her experiences. She is one of many success stories we could tell.

The tax credit that funds IDAs has not kept pace with inflation. While the credit has been capped at \$7.5M per year since 2009, the cost of everything that IDA participants save for has increased dramatically. Each saver needs more funds from the program in order to be successful, yet tax credit revenue has remained stagnant, prompting the Legislature to provide supplemental investments from the general fund in each of the past three budget cycles. An updated \$14M tax credit cap will allow the IDA program to enroll 1,750 new participants each biennium going forward – close to the program's established service level of 2,000 new savers per biennium. (If the Legislature takes *no* action on IDA funding this year, the program will shrink much further, to enroll only 1,000 people per biennium.)

By raising the IDA tax credit cap to at least \$14M through SB 120, the Legislature can return the IDA program to solid financial footing. I urge you to include IDAs in this bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lisa Dawson", with a long horizontal flourish extending to the right.

Lisa Dawson
Executive Director