

Submitter: Karen Erde

On Behalf Of:

Committee: Joint Committee On Tax Expenditures

Measure, Appointment or Topic: SB120

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

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.

I have been a proud donor to the IDA for many years and am happy to participate in this well run and well thought out program. I am excited about the gains the IDA has achieved in this legislature. I appreciate that recipients can choose how IDA money can start them on a path to financial success and stability.

The program has proven results:

- 92% of savers who enroll successfully complete an IDA
- 92% of homebuyers make all mortgage payments in full and on time in the year after purchase
- 86% of IDA-supported businesses continue to operate one year after IDA completion
- 71% of education savers earn a degree or are still enrolled in postsecondary education two years after IDA completion

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. Without legislative action in 2025, the IDA program will shrink to enroll fewer than 500 people per year – a 50% reduction in the number of Oregonians served.

Over the last decade, \$29 million saved by IDA participants has been matched by \$72 million from the state. IDAs are administered by a network of 68 community-based organizations across the state. Thanks to the Legislature's longstanding commitment to this program, more than 19,000 lower-income Oregonians – spanning every House and Senate district – have leveraged the power of their own savings to reach financial goals.

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.