

Working Papers

The Oregon Children's Development Account Story

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When I was in elementary school in the fifties, every Friday morning all of us in Mrs. Susann's fourth grade class would march into the hall with our passbooks in hand and make deposits into our own personal savings accounts. The deposits were pretty small, even by 1950's standards, a dime or a quarter; if we'd had a birthday recently, maybe a dollar or two. But the whole process was taken quite seriously by us and by the people from the bank, who had set up their table in the hall and marked our weekly deposit and our new total in the savings deposit book. It felt good. What we were doing, unlike the rest of our daily school activities, seemed to matter in the adult world. Even better, the balances in our bankbooks were building up. We actually had money of our own that we could use as we pleased. Though I didn't know the word then, this accumulation of money felt *empowering* – and was.

Let's jump now to the early 1990's in the Great Northwest. Beverly Stein of Portland has been elected to the Oregon House of Representatives. A liberal Democrat, Ms. Stein was interested in bringing to the legislature some grand ideas that centered on investing in people. "Government has a role in assisting people to maximize their opportunities," she contended. "My personal goal was (and is) that everyone should have a chance to have a good life." Not the usual business of the legislature, but in the progressive milieu of Oregon, under Gov. Neil Goldschmidt, many things seemed possible. With a Democratic majority in the House, Ms. Stein was appointed Chair of a task force on the Social Services Planning Committee and developed her vision in to a package of legislation called the Human Investment Strategy for Oregon. "When I talk about human investment," Stein told the local media, "I'm talking about bringing together social services, education, and job training with business partners into a system that is community based and community driven and results oriented." These long-term "investment" strategies were also a perfect complement to the newly established "Oregon Benchmarks" – a rough system of marking points to establish long-term goals for the state. With "where will we be in five, ten, fifteen and twenty years?" marking points, the Benchmarks asked us to consider and to document progress. During this period, Stein also became familiar with the work of Bob Friedman at the Corporation for Enterprise Development (CFED) and they began talking about Oregon taking part in a multi-state demonstration for this State Human Investment Policy (SHIP) demonstration project. Friedman was invited to speak at a gathering of over 250 people in the Oregon House Chambers.

Eventually, Rep. Stein made the decision to present her Human Investment Strategy in the form of six bills that were introduced into the 1991 legislative session. In the political blink of an eye, however, the political climate had changed in Oregon. The Republicans had gained control of the House. For the first time in twenty years the Democrats were not in control of the Legislature. And, even more strategically significant, Oregonians passed Ballot Measure 5, a property tax limitation that restricts the amount of money available for education and requires the state to pick up the deficit in education funding. Suddenly, many people were scrambling for money. Rep. Stein was going to have to move her bills through the legislative process with great care and diplomacy. At the top of her agenda was Senate Bill 800, a bill that would establish Individual Children's Development Accounts (CDAs). In very simple terms, the concept was the same as those elementary school kids depositing their dimes and quarters into a savings account. The idea was (and is) to facilitate asset building. You put your money away on a regular basis, so that at some point in the future (when you reach 18) you have accumulated enough money to have some power in controlling your own future. You can make decisions for yourself. In this

Oregon formulation CDAs would have been optional, individually owned, interest bearing accounts much like an Individual Retirement Account with specific state tax benefits. They could be used for college education, long term training, business capitalization or first home purchases. The accounts would be open to any Oregonian, with the opportunity for children from low-income families to receive a match through a community program, union, business or individual.

It all made great good sense, but for various reasons, then and now, was not an easy sell to the policy world. Did it smack of government intrusion? Perhaps. But it also made sense to many community-based, non-profit organizations and to business people. They understood the importance of folds having their own money; to own assets. They recognized the advantages of long-term planning and careful savings. The real difference between the “poor” and the “middle class” is that when things get tough, middle class folks have assets to fall back on. They can get a loan on their house, or go to their savings account for emergency funds. Those without assets have to turn to social service agencies; they have to ask for charity. Not only do they more quickly reach a point without money and power, they are left without dignity. Strangely enough, as Rep. Stein, was to find out, some of the stiffest opposition to CDAs and to asset building philosophy came from traditional liberal allies, from the social service types. As David Foster, a Policy Strategist for Oregon Housing and Community Services points out, “Bev’s notion about a human investment strategy was alien to the traditional social service mentality. They assumed that the poor would not understand [asset building financial strategies] so why bother them.”

One thing Stein did have going for her in the ’91 session was that there existed a lot of interest in children’s issues. “ I made a strategic decision that it would be more possible to pass IDAs (Individual Development Accounts) if we attached them to children. Goldschmidt, who had just left office, had created a Children’s Agenda, Rep. Vera Katz (now Portland Mayor) was working on educational reform, and Republican leaders had started a childcare team. So, there was a lot of interest in children’s issues. We thought CDAs would be particularly palatable to the legislature.”

The other big plus for Rep. Stein was that she had learned to be a strategic player in the legislative body and understood the necessity of working both sides of the aisle. She made a point of sitting down with every legislator she could corral. “I just kept talking until I found out what resonated with who.” She kept a low profile for herself and sold the measure as bi-partisan, which in fact it was. “If I tried to make too big a deal of it, I would lose, because Republicans wouldn’t want me to have a big success. I tried to have little successes. And I also introduced certain things on the Senate side, even though I was in the House. I decided if I could introduce it on the Senate side with a Republican sponsor, that was my best bet for having bi-partisan, bi-cameral support.” Stein managed to get long time Republican Senator Jeannette Hamby to sign on and sponsor SB 800. In fact, though Hamby’s name was at the top, the bill had 20 Senate sponsors and 22 House sponsors, almost evenly divided between Republicans and Democrats. “I think we all got that the long term health of the state required front end investment in children,” Stein recalled.

Everything in March of 1991 seemed on track for SB 800. It was a solid piece of legislation with bi-partisan support and it was ready to move along the legislative conveyor belt. There was just

one problem (there's always one problem). Who was going to pay for all this? The original bill had an undesignated amount of money attached to it – which meant it would go to the Ways and Means Committee before being voted on by the House or Senate. But sensing the political and fiscal realities, Stein and Hamby made the strategic decision to remove the funding allocation from the language in the bill. “It would have never gotten out of Ways and Means,” Stein remembers, “It wasn't going to be that high of a priority because of the situation with Ballot Measure 5. We stripped the money out, so the bill wouldn't die. What we were trying to do is get the concept out there.” Stein was, like the bill itself, looking at the long-term gain. “First time out we'll get the legislation through, then we'll do this study, we'll have this national demonstration, and then we'll bring it back. Which is what we did.” And, in fact, the process moved much as Rep. Stein imagined. The bill was heard by the Trade and Economic Development Committee and came out with a “do pass” recommendation. SB 800 passed the Senate unanimously and passed in the House by an overwhelming 56-3 margin; obviously there was no party bickering on this one. (Then) Governor Barbara Roberts signed the bill into law in June of 1991. As passed it directed the Oregon Progress Board to design a program of implementation for Individual Children's Development Accounts. All seemed primed to move. Once again Oregon appeared to be at the forefront of progressive, intelligent, future oriented legislation. Michael Sherrarden, the national expert on matched savings accounts was brought on board to help design a five-year plan for Oregon and a SHIP demonstration project was set in motion with CFED. First year funding of \$75,000 appeared from Governor Roberts' Strategic Reserve Funds (a pot of money the Governor could use at her own discretion for economic development) and Stein and the others felt confident that CDA's were on the horizon. “What was really working for us throughout this process,” Stein remembers, “was that this legislation was seen as a boost to the economy; it was not just another social service program.”

After the 1991 session ended, Rep. Stein continued to beat the drum and the bushes, and promoted CDAs on speaking engagements around the state. At the same time the Corporation for Enterprise Development was at work designing children's IDAs and other human investment strategies through the SHIP demonstration. Even the Oregonian (Portland's daily paper) endorsed Stein's bid for reelection to the house, noting, “...she has garnered a great deal of support from rural legislators for her human investment strategy, which would direct some human-resource dollars into a children's development account.” Sherrarden completed his paper designing an implementation plan for IDAs for Oregon and Oregonians attended an inter-state meeting in Iowa to strategize about national plans and programs.

The missing piece, however, was still funding. As Professor Tom Hibbard of Willamette University points out, “Oregonians have a history of passing really interesting legislation and then not putting enough money into it to make it work.” But Beverly Stein was a very focused legislator and she was adamant about keeping CDAs on the front burner. In the 1993 legislative session, SB 927 was introduced (again by Republican Senator Hamby at the request of Stein) to create Oregon Development Accounts funded by tax credits. This bill included a detailed description of how CDAs would be implemented that had been developed with the help of CFED and a local committee. The sponsors of the measure optimistically announced a goal of 10,000 accounts in the next five years. If passed, this is the one that would have made children's accounts a reality, but there would have to be funding and staffing and people like Beverly Stein, true believers, to keep it cooking. SB 927 was heard in the Senate Human Resources Committee

and was passed with a referral to the Revenue Committee. Unfortunately, it was at this crucial moment that Stein made a decision to resign from the Oregon Legislature to run in a special election for the Chair of Multnomah County (Portland) Board of County Commissioners. “I’d already decided I wanted to be Chair of Multnomah County and this was my chance. Term limits had already passed and I knew I’d only be able to stay in the legislature for one more term and decided I could be more politically effective back home.”

In Stein’s absence, SB 927 *did* pass out of the Revenue Committee and assigned responsibility to the Oregon Commission on Children and Families (OCCF) to design and implement the program. But once again, no money was appropriated and no tax credit was included. The bill, and Children’s Development Accounts in general, were in some sense doomed to Oregon’s refuse pile of great ideas that didn’t have the financial legs to travel on. The bill for CDAs, though, did make it into the state statutes (ORS 417.900), which, if nothing else, became a placeholder for possible future programs and legislation. The OCCF made some attempt to implement CDAs by contacting local county commissions, but without funds for support, there was little interest. Then, as in 2003, Oregonians on all levels struggled for funds to keep even existing state programs operating on a bare bones level. (One wag referred to Oregon as “Mississippi with fir trees.”) In 2001, the Commission on Children and Families even attempted to pass legislation to delete ORS 417.900 from the books entirely, because it was not being implemented. For all practical purposes, children’s IDAs in Oregon were dead, but not gone.

There were others in state government who picked up the offer left by Stein and by the work of Bob Friedman, Michael Sherraden, et al. Individual Development Accounts do make sense. They make the essential connection between building assets and having a real stake in the economic development of the individual, the state, and the nation. As Foster points out, “What Bev set in motion, was a preventative strategy. How do you get in front of the game and give youth the tools to be successful. Rather than the way we’ve done social policy for the last 50 years where we basically expect someone to completely dissipate their wealth, then we throw him or her two bits. If you set up this child based asset strategy, by the time they’re adults they have their own funds and the ability to make decisions for their own well being.”

There was a blossoming national IDA movement that some in Oregon were aware of and excited by and they wanted to keep this concept alive, so that at the least, Oregon would be ready to jump on board when the national train came rumbling by. David Foster, with Housing and Community Services, became a champion and published a paper that proposed Personal Economic Security Accounts and he worked with the still present Sen. Hamby to introduce a new bill in the ’97 session on asset building. Thus, another platform was erected to continue the discussion of IDAs. Representative Janet Carlson who previously worked with Children and Families was also on board and introduced legislation to support children’s IDAs and also pushed legislation in the current (2003) session (submitted by others after Carlson left to become a Marion County Commissioner) that proposed a planning committee to promote financial education and financial self sufficiency and that became another place holder for children’s savings accounts.

The conversation continues. And legislation in Oregon, beginning with Stein and Hamby’s initial effort, SB 800, has set the stage for this ongoing discussion. Most encouraging, a bill has

passed that creates adult IDAs and provides \$500,000 per year in 75% tax credits. A pilot program with \$660,000 (all the tax credits were leveraged in 2002, and will likely all be leveraged in 2003) in funding is in place and the hope is that after the viability of this program is demonstrated, supporters can go back to the Legislature and more fully fund a statewide program that would include youth IDAs as part of the package.

So, the obvious question presents itself. What do we learn from this Oregon story? “One thing that I know and that we all know about the legislature,” Beverly Stein concludes, “is that if an idea doesn’t have a champion, it doesn’t have a chance.” With lots of help on all sides, Stein was that champion. Unfortunately, after she left the legislature there was no one with quite the same clout to pick up the ball. “A state must find passionate spokespeople,” she says, “people who are dogged and are in position to affect change.” You also have to set the informational and philosophical framework, Stein believes. She contrasts the situation here (in the U.S.) to Great Britain, where Prime Minister Tony Blair’s government, again working with Michael Sherraden, has implemented a version of children’s IDAs for all British children. “England has a tradition where they tax themselves a lot of money, but then provide universal health care and a lot of other vital services. For them, it’s easy to then accept the idea of universal children’s savings accounts. For us, it’s not part of what we now think government does; although at one time, with The Homestead Act and the G.I. Bill, that is exactly what Americans expected and got from government. And could once again.” It all gets back to assets, Stein contends. “You have to have people building up the idea of why it’s important to have assets.” That piece does seem to be key. David Foster concurs, “We’re never going to get ahead of the poverty game by providing people services after they’ve become destitute. We’ve got to figure out strategies that give people the tools to avoid the poverty in the first place. It’s nice to be able to do that when dealing with adults, wouldn’t it be grand if we could do it with kids and get them on board way before they ever get to a point that they have to wrestle with [some of] the issues life presents them.”

The hard part for Oregonians to process – about CDAs and about everything else from funding school systems to providing health care is - How Do We Pay For It? Even great ideas cost money (or maybe *especially* great ideas). As CFED head, Bob Friedman points out, “CDAs are an appealing concept, but with a big price tag.” To actually have such a program in place when so many states are struggling to pay for basic services might seem impossible, but, as Friedman says, “Big systems don’t come into play overnight.” Perhaps this is the lesson Beverly Stein is most left with. “You start out by asking for all you want and pull back as necessary. This kind of legislation is a multi-year project. Boldness must be accompanied by persistence.”

All told, this bold new idea is not so very different from what I did in elementary school. I deposited what small change my parents gave me every Friday morning into my own savings account and I was a happy little boy watching that pot of money grow. At the same time, though unbeknownst to me, my parents were also plugging money into that account, with the idea that by the time I was ready to go to college, there would be enough there to pay the tuition. It worked then; it will work now. All we have to do is invest.

Robert Freedman

Rob Freedman is a college professor, writer, and performance artist in Portland, Oregon. He has published over two hundred articles, both journalistic and creative. For five years he wrote a column for *This Week Magazine* titled “It’s About Education” and also wrote an ongoing column that appeared in East Coast publications titled, “Letter From the Other Coast.” His work has been recognized by the National Association of Education Reporters. His most current writing will appear in *Tikkun* magazine. Freedman graduated from Marietta College in Ohio and has a Masters of Education from Harvard University.