

# Policy Report

## Children's Development Accounts: The Oregon Story

Beverly Stein and Robert Freedman

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**Center for Social Development**

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George Warren Brown School of Social Work

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## **Introduction**

Recently British Prime Minister Tony Blair announced that a Child's Trust Fund would be set up for all children in the United Kingdom. This puts the mechanism in place for all children in Britain to have a savings account similar to an Individual Development Account (IDA). Michael Sherraden from the Center for Social Development (CSD) at Washington University in St. Louis was instrumental in the creation of the British initiative. CSD has long been an advocate and think tank for IDAs in the United States, and this visionary step by Great Britain supports CSD's work in promoting Children's Development Accounts (CDAs) in this country.

CDAs offer an opportunity for all children to have resources to invest in themselves. When parents provide that investment, their children benefit. However, not all parents have resources to contribute in such a way that their children get the "boost" in life that comes from a "nest egg" for education, business start ups, or home ownership. Therefore, a system of universal accounts for children, which includes matches from community or government resources, makes sense, and is important to assure success for all children.

In 1991 and in 1993, the State of Oregon created the only legislation ever passed in this country regarding CDAs. Although the accounts were never implemented, CSD believes that there are lessons to be learned from the experience of Oregon regarding CDAs. For that reason, CSD requested that Beverly Stein, the chief advocate for CDAs in 1991 and 1993, and Rob Freedman, a free lance writer, research the circumstances and events that led up to the passage of the 1991 and 1993 legislation, the results in Oregon, from the legislation being passed, and identify lessons that may be applied to future attempts to pass and implement CDA legislation.

### **Passage of SB 800 --- CDA Legislation in Oregon in 1991**

The first legislation creating CDAs in Oregon was part of a package of six bills developed in the 1990 interim legislative period prior to the 1991 legislative session (Oregon's legislature meets every other year for approximately 6-8 months) by the House Interim Task Force on Social Service Planning for Oregon. House Representative Beverly Stein, who represented an urban district in the central city area of Portland, chaired the Task Force. Stein, who had completed her first term in the Democratic controlled legislature and seemed assured of re-election, had time to focus on a large-scale initiative.

Stein believed that the future health of communities could be traced back to the amount of support that children received early in life, and that this support should include the opportunity to invest in long-term assets such as education, job training and home ownership. She had been introduced to the concepts of asset-building as a policy strategy by Bob Friedman of the Corporation for Enterprise Development, and Michael Sherraden of Washington University.

A strategic planner and facilitator by profession (and a former lawyer) Stein wanted to advance long term social policy that recognized social services and education, and economic development as two sides of the same coin. She was an early advocate of the Oregon Benchmarks initiative (measurable goals for the state) that had been adopted in the 1989 legislative session.

The House Interim Task Force researched social policy related of strategies and involved the public through hearings and public presentations made by Stein. One of the largest hearings ever held in the state capitol, attended by over 250 people, was a forum for a discussion of a “Human Investment Strategy” for Oregon. Bob Friedman, President of CFED, spoke at the hearing. Simultaneously, CFED was developing a State Human Investment Policy (SHIP) project as a national demonstration and was seeking states to participate in a multi-state research and action initiative.

At the end of 1990, as the interim period drew to a close, specific asset-building legislation for advancement in the 1991 session was being developed. Recollections from Stein, and those working with her to develop her package, are that a decision was made to focus the IDA legislation on children—because children’s needs were “hot” political topics at that time and had the best chance for moving forward. Governor Neil Goldschmidt (D) who had just left office, had promoted a “children’s agenda”, House Speaker Vera Katz (D) was developing a comprehensive educational reform act, and Republican leaders were considering a variety of children’s issues. In addition to the aforementioned factors, in 1989-1990 then Governor Goldschmidt was a leader of the National Governor’s Association Policy Academy on Children, and the decision to advance legislation for CDAs was consistent with the Oregon Benchmarks approach to long-term thinking. The reasoning was that IDAs would have a better chance to develop over time if the initial focus was on children.

The 1991 legislative session opened with some dramatic new challenges for passing the innovative legislation included in the Human Investment Strategy. Republicans won control of the House for the first time in 20 years (the Senate maintained a slim Democratic majority) and a ballot measure limiting property taxes at the local level, and shifting the responsibility for school funding to the state level, passed. The state also elected a new governor, Barbara Roberts. As a member of the minority party in the House, Stein recognized that she needed to enlist the support of Republicans to pass legislation. Therefore, SB 800, to establish CDAs, was introduced, with Stein and Republican State Senator Jeannette Hamby (representing a suburb of Portland) as the chief sponsors. Stein secured, as co-sponsors, 22 of the 60 House members and 20 of the 30 Senate members.

As originally filed, SB 800’s brief description was:

“Establishes Individual Child’s Development Accounts Trust Fund to provide funding for Individual Child’s Development Accounts. Establishes purposes of individual accounts. Directs Partners for Human Investment Board to design account implementation program. Specifies program content. Requires report to Sixty-seventh Legislative Assembly including program and any proposed legislation. Allocates \$\_\_\_\_\_ to trust fund from Executive Department Economic Development Fund for biennium ending June 30, 1993”

In March 1991, SB 800 was assigned to the Senate Trade and Economic Development Committee where co-sponsor Hamby, who sat on the committee, could monitor and advocate for its progress. Meanwhile, Stein continued to orchestrate events that would highlight the package of Human Investment legislation she had previously filed and to build support from advocates

gained during the interim session, in order to create additional support (throughout the state) for the legislation. With assistance from the House Democratic Caucus, Stein kept the media apprised of her activities.

With support from other legislators, Stein brought witnesses to a unique joint meeting of the House Human Resources Committee and the joint Trade and Economic Development Committee to hear about potential links between the Human Investment Strategy and other initiatives such as a potential Educational Reform Act, the Oregon Benchmarks, a strategic plan for the economy, housing initiatives, and social services coordination efforts to be executed by the Department of Human Resources.

In April 1991, the Oregon Progress Board, Stein, and Governor Roberts, with whom Stein had developed a positive working relationship, sponsored a Human Investment Partnership Day in Salem, the state capital, that featured speeches by Oregon House Representative Tony Van Vliet, a Republican from Corvallis, and Michael Sherraden from Washington University. Media were in attendance.

Stein met with legislators to explain the Human Investment Strategy and legislative package, using descriptions of the vision, specific program proposals, graphics, data, and anecdotes --- depending on the approach that she determined would work best with each legislator.

The result of these combined advocacy efforts was that SB 800 was amended, and passed out of the Senate Trade and Economic Development Committee. The amended version became “Directs Oregon Progress Board to design program of implementation of Individual Children’s Development Account program. Directs Board to submit report to Legislative Assembly.” The bill passed but was stripped of its fiscal impact, avoiding a subsequent referral to the Ways and Means Committee, where it was thought likely to die. Because legislation creating Partners for Human Investment was not progressing, and because Duncan Wyse, the director of the Oregon Progress Board (OPB), had strong interest in the Human Investment Strategy legislation, the responsibility for implementation was shifted to the OPB.

Carried by Senator Hamby, the bill was passed unanimously, as amended, by the Oregon State Senate on May 10, 1991. Carried by Stein, on May 27, 1991 the bill passed the House—the no votes cast were from conservative Republicans. Governor Roberts signed the bill into law on June 18, 1991. As a matter of record, four of the six bills in the Human Investment Strategy were signed into law. Stein was convinced that the passage of SB 800 (even as amended) was promising. It was (and still is) unusual for innovative legislation to pass on the first try, and it appeared that the concept of CDAs had attracted enough champions to take it to the next step.

### **Implementation of SB 800 by the Oregon Progress Board**

When the 1991 session ended the OPB was working with CFED and Stein to become part of the SHIP demonstration project, along with the state of Iowa. SHIP was intended to be a five-year project with each state contributing \$75,000 per year. Governor Roberts was persuaded to contribute \$75,000 from her Strategic Reserve Fund for the first year on the basis of a linkage to the Oregon Benchmarks. By the fall of 1991 CFED and the OPB had a contract to design

children's IDAs and other human investment strategies through the SHIP demonstration. The strategies included:

- Individual Development Accounts
- Entrepreneurial Service Delivery System
- Make Work Pay
- Return on Human Investment

CFED sub-contracted with Michael Sherraden to design a state system of individual development accounts.

Throughout the 1992 interim period Stein traveled the state speaking about the Human Investment Strategy and worked with the OPB and CFED to help design program strategies. The directive in SB 800 to the Oregon Progress Board to design CDAs became part of the SHIP research. In June 1992 the SHIP project convened representatives from Iowa and Oregon in Des Moines to hear reports from the sub-contracted research that had been done, including that on IDAs, and to share information. As a result of that meeting it was decided to proceed with developing specific implementing legislation for the 1993 session for CDAs. As part of the SHIP project small committees were formed to help develop the strategies. The committee formed to work on CDAs included representatives from the business community, banks, higher education and the "I Have A Dream" program.

During this period Stein, with the assistance of volunteers, the Oregon Progress Board, and Portland State University President Judith Ramaley, developed Partners for Human Investment as a leadership and advocacy group whose efforts were to advance the Human Investment Policy Strategy in Oregon. Partners for Human Investment was formed in 1993 and pursued leadership training using University of Oregon Professor Jeff Luke's work on catalytic leadership. Partners secured initial funding from the state workforce development system, the Oregon Progress Board, Portland State University, private foundations, and individuals. However, Partners for Human Investment ended in 1995, due to lack of additional funding.

### **Passage of SB 927---CDA Legislation in Oregon in 1993**

When the legislature opened in January of 1993 Republicans controlled both the House and the Senate. SB 927, a bill to implement CDAs, was introduced under the sponsorship of Sen. Hamby. The legislation was based on the work of Sherraden, CFED and the local committee formed to develop it. SB 927 established state tax credits as a funding source for a CDA program, with implementation assigned to the Oregon Commission on Children and Families (OCCF). OCCF, created in the 1989 session through legislation sponsored by Stein, established local commissions in each county responsible for determining benchmark goals for children's success and mobilizing local communities to meet those benchmarks. OCCF had been instrumental in getting the OPB to include additional benchmarks for children and advocated that the OPB focus on these benchmarks during the 1990 interim legislative session.

In April 1993 Stein and Hamby held a press conference featuring Kathryn Keeley, from CFED, to announce the SB 927 legislation, which had a goal of creating 10,000 CDA accounts in the next five years. The bill was heard in the Senate Human Resources Committee and passed with

a subsequent referral to the Revenue Committee because of the inclusion of tax credits in the legislation. As an unrelated occurrence, Stein resigned from the legislature later that month to run for Chair of the Multnomah County Board of Commissioners.

Although the legislative history becomes vague at this point, it appears that a version of SB 927 did pass and became ORS 417.900 (Individual Children's Development Accounts), which remains in the Oregon Revised Statutes, today. ORS 419.900 gives the OCCF the responsibility for implementing the legislation. Local commissions helped pass the legislation, but there was opposition from a few social service providers (providers of high intensity services for juveniles). This may have been part of an effort to stop expansion of the OCCF or because of funding concerns.

In the fall of 1993 John Ball, director of the OCCF, who supported CDAs, asked his staff to follow the SB 927 directive to implement CDAs. His staff contacted the local commissions to seek interest in implementing CDAs, but got little response. Without a funding mechanism attached it was unlikely that a local commission would develop this program, since they were already faced with implementing several new programs that did have appropriations for implementation. In December 1993 OCCF director Ball resigned, which essentially ended the commission's supportive efforts for CDAs.

### **Oregon CDAs --- 1993-2003**

David Foster, who currently serves as a Policy Strategist for Oregon Housing and Community Services, championed asset-building in Oregon for the last half of the 1990's. In 1996, his paper on Personal Economic Security Accounts (PESAs), proposing a childhood to adult asset-building policy strategy, was recognized by a Cascade Policy Institute's Better Government Award.

From 1993 to 2003 various legislators, including Senator Hamby, introduced additional legislation to keep the idea of assets and savings alive. However, nothing significant passed into law until 1999. As the 1999 Legislative session approached, the Enterprise Foundation, which had become a champion of asset-building policy nationally, brought together several interested individuals, including Stein (now Chair of the Multnomah County Board of Commissioners), to determine if the timing was right for another try at passing and funding IDA legislation. Those convened agreed that the time was ripe to revive a legislative effort. An IDA bill (HB 3600) was drafted. With Representatives Ben Westlund(R) from the central Oregon city of Bend and Jeff Merkley(D) from Portland as champions, the bill passed both houses with only one dissenting vote. With Governor John Kitzhaber's signature in the fall of 1999, Oregon finally passed an IDA law with funding appropriated, generated by 50% state tax credits for matching accounts and operating funds, to pilot the concept with local fiduciary organizations. While this legislation did not include children's accounts, it represented a major milestone in moving forward asset-building strategies for low-income Oregonians. Oregon Housing and Community Services oversee the program, which is still operational.

In the 2001 session OCCF attempted to delete ORS 417.900 (CDAs) from the Oregon statutes since no action was being taken on the law as written. Republican Representative Janet Carlson

from Salem opposed this action by introducing a bill that supported CDAs. The statute was not deleted, meaning that funding for CDAs is still an option for the state.

In the 2003 legislative session (still in session at this writing) Janet Carlson introduced legislation she had developed previously creating a planning and advisory committee to promote financial education and financial self-sufficiency in Oregon. The legislation (SB 56) delegates to the advisory committee the task of reviewing the potential for implementing CDAs as described in ORS 417.900. As of June 30, 2003 the legislation had passed the Senate and a House committee, and was pending in the Ways and Means Committee. If the legislation becomes law it will be another effort to keep the concept of CDAs alive in Oregon, and continue to move it forward.

## **Lessons Learned**

From the experience gleaned from passing SB 800 in 1990 and SB 927, in 1993, to create CDAs in Oregon, and from subsequent efforts to bring the vision of these initiatives to fruition, the following lessons learned may be instructive for policy makers and advocates in states working to make CDAs a reality:

### *Champions are essential*

New ideas, especially ones that challenge the status quo, need champions. Champions need to be enthusiastic, effective and persistent, and they need to be in a position to be able to impact legislation. For initiatives like CDAs (those likely to take several years to implement) it is important to have a number of policy champions and/or a “succession strategy” for changing champions in mid-stream if necessary. It is essential to have at least one champion who is a legislator.

### *Build a diverse, bi-partisan constituency*

An external supportive constituency made up of a diverse group of people from business, social services, education and housing interests is very helpful for advancing legislation for CDAs. Within the legislature it is important to have bi-partisan support for the legislation. Use a broad approach to asset-building, building on current knowledge, to attract more partners.

### *Develop a comprehensive organizing strategy*

A strategy to pass CDA legislation should include the advocacy of the constituency noted above, a communications strategy, and as much technical assistance as can be garnered from national organizations such as CFED and CSD. The communications strategy should complement and strengthen the legislative strategy. For instance, use external conferences or workshops with national speakers, and press conferences that are in sync with the timing of legislative hearings and voting schedules.



*Recognize there will be resistance to a new idea*

CDAs appeal to people who believe in thinking long-term, seeing that long-term investments are essential. These people also see that current problems will never be ameliorated solely by spending to fix the results of a lack of adequate investment. Unfortunately, even the people who believe in this philosophy can be cautious about new ideas. Therefore, it is helpful to cast IDAs and CDAs as similar to other recognized investment strategies, such as 401(k)s.

*Be flexible*

Don't assume that legislation will pass the first time it is proposed (although it might) and be willing to compromise, and change the legislation in subsequent sessions. Many important initiatives have originated in legislatively established task forces. It is important to get some version of the bill through the process so that supporters have something to build on and success to inspire them. If this is a multi-session process, be willing to adjust your policy strategy to meet external changes such as political control by different parties, budget changes and realities, etc. Be aware that it is likely to be difficult to advance long-term strategies in times of upheaval and instability, and adjust your plans accordingly.

*Lobby vigorously and effectively*

It is important to have stories, facts, and policy background papers that support your arguments. If there are IDA programs in your state make sure organizational representatives contact legislators to explain their programs. The practical experience gained from the adult IDA programs may make the possibility of CDAs more real to legislators.

*Use the hot issues of the day*

Keep your arguments within the current political context. If children are the central focus of your policy, focus your information on children. If education is the issue of the day focus on that, and if economic development issues are what legislators are interested in, focus on those. Try to identify larger messages that might be more appealing in the current political environment, such as investments and long-term thinking. Similarly, if other initiatives are being advanced that have strong champions, link the philosophy of CDAs to those initiatives (educational reform, economic strategies, etc.).

*Be bold, persistent and prepared to stay around for the long haul*

If an idea is ripe, is well positioned and has the right champions, it may be quickly adopted. The lesson here is to start by asking for everything you want and pull back as necessary --- to continue to keep the legislation alive. However, the most likely scenario is that passage of CDA legislation and its implementation will be a multi-year project. Boldness must be accompanied by persistence and patience.

## **Authors of the Report**

### Beverly Stein

Beverly Stein served as Chair of the Board of County Commissioners and as Chief Executive of Multnomah County, the county that includes the City of Portland, Oregon. In that position she administered a government with 5000 employees and a billion dollar budget. Multnomah County won the Oregon Quality Award (based on the Baldrige Criteria) in 1999 and Stein was designated by *Governing Magazine* as Local Official of the Year with the Mayor of Portland in 1996. She ran for Governor of Oregon in the 2002 primary election. She was elected three times to serve in the Oregon House of Representatives, worked as a Legal Aid attorney and in a solo private law practice. Stein is now an independent consultant and a Senior Partner with The Public Strategies Group, headquartered in St. Paul, MN, and works for government organizations committed to innovation, diversity, collaboration and effectiveness.

### Robert Freedman

Rob Freedman is a college professor and writer based in Portland, Oregon. He has published over two hundred articles. 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.