

Smart money

State Treasurer Ted Wheeler on where to put our tax dollars to work, for education, housing and crafting an economic development plan

BY EMILY GREEN
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Oregon State Treasurer Ted Wheeler admits that most Oregonians know very little about what he does — he said even he didn't know much about the job before he took it. But it's an important position, and as financial concerns grow across the state, his department has become increasingly high profile.

The Oregon Treasury oversees Oregon's \$70 billion in public assets, and as Oregon's chief investor and public funds protector, it plays a critical role in Oregon's financial future. Its investment decisions can have far-reaching effects on many state-funded programs such as education, public pensions and social services.

Right now Wheeler is busy campaigning for his Opportunity Initiative, which will appear on the November ballot. If passed and funded, it would enable the state to borrow a large chunk of money to invest, and then use the returns on that investment to fund student-aid programs for future generations of low-income Oregonians.

The pending initiative was first and foremost on Wheeler's mind when he recently visited the Street Roots office, where we talked about what the Treasury is doing to support affordable housing, his strategies for investing in renewable energy and his plan to combat retirement insecurity.

Emily Green: What role can the State Treasurer play in meeting the housing needs of Oregonians. Complex financial instruments of a poorly functioning housing market led to the 2008 economic collapse. Are there financial instruments that Oregon can use to make the housing market function better and to provide housing for ordinary Oregonians?

Ted Wheeler: The most important role we play is that we support municipal governments in their efforts to create affordable housing. The primary tool that we use is low-interest bonds; we issue tax-exempt bonds that are focused on affordable housing multi-family units. Those bonds are issued through private-sector institutions and they are used in combination with affordable housing tax credits to help create affordable housing around the state. Different communities have different affordable housing needs. Different mixes are required in different communities. So our best role is to help support those communities to create more affordable

housing.

E.G.: Is there a plan to expand some of those programs?

T.W.: Everybody should be engaged in continuing to support tax credits and encouraging financing tools that support affordable housing. In preparation for this interview, I went to the Oregon Housing and Community Services department and noticed that the emergency housing funds are drying up. Those are federal funds that are issued to states to help keep people who have struggled during this recession in their houses. Congress has dried up those funds. So the first thing we need to do is continue to advocate for the support and services that come through the state that are then distributed to local governments to help people stay in their homes.

In my own shop specifically, there's a program I'm very interested in exploring in terms of how it can help in the affordable housing arena. It's called the Oregon Facilities Authority. It provides conduit financing for nonprofit organizations at a greatly reduced rate of interest. So it helps nonprofits to be able to do their business at a lower cost. There's no reason in my mind why the Oregon Facilities Authority couldn't be used to generate support for nonprofits like Home Forward and others that are focused on

affordable housing issues.

We created a program called the SNAP Bond Program (Small Nonprofit Accelerated Program) a couple of years ago that's focused on smaller nonprofits, and there have been a number of nonprofits that have come to the table and taken advantage of our low-interest loans so we'd like to encourage people to do that in the affordable housing arena too.

E.G.: Where is affordable housing and homelessness in the state's economic development plan?

T.W.: You can't have a robust economy without affordable housing. I would argue that it's a critical ingredient. We're already seeing, in the Portland area, that people who need workforce-quality housing — housing that's affordable for people who actually work in the companies that we have here — are increasingly pushed out of the downtown core and into the periphery. That creates a bunch of problems, so I would argue that affordable housing is a critical ingredient.

You asked about the Oregon economic

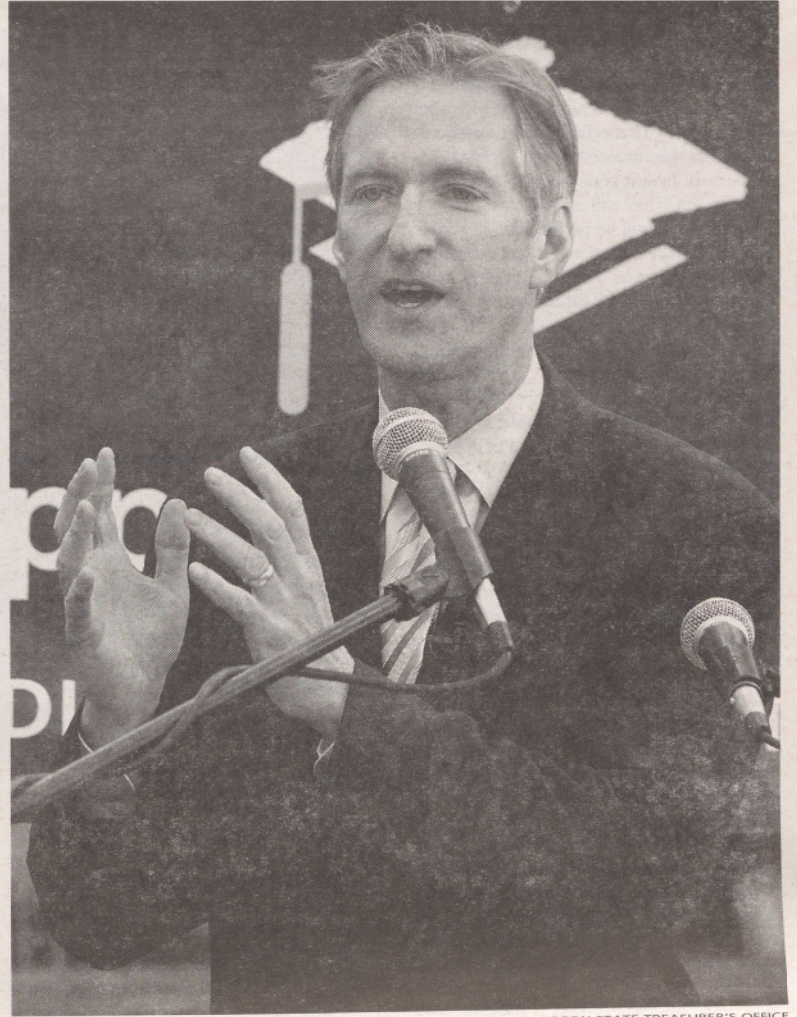


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plan. Could you show me that?

E.G.: Show you the economic development plan?

T.W.: I'd like to see the economic plan — the strategy for the state of Oregon. I have long argued that our state is too fragmented in terms of its approach to economic development. We have many state agencies that have a role in economic development ... But in my opinion, there isn't an overall clear strategy and there aren't clear priorities in terms of how to spend our limited economic development resources, so when you ask me, where does affordable housing fall into the state's economic development plan? I have a wry smile on my face for a reason.

E.G.: Are you interested in pursuing innovative financial tools such as social impact bonds to help create funding for social services as well? And if so, what steps are you taking to make this happen?

T.W.: I'm very interested in the development of social impact bonds. In fact, in the treasury we're following the developments closely. Benjamin Franklin said famously that, "An ounce of prevention is worth a pound of cure," and in my leadership I've always led with the belief that it makes more sense to invest in schools than it does to invest in prison expansion. It makes more sense to invest in people's health rather than try to cure them after the fact. It makes more sense to invest in jobs than it does to remediate unemployment. Social impact bonds are one potential tool that we could use to invest in prevention. Now, that being said, it's still a very immature tool. It isn't ready for large, institutional investors like the State Treasury, but it will be eventually.

E.G.: The Opportunity Initiative is intended to create college scholarships and vocational training opportunities for Oregonians, but payments on the debt it creates would be drawn from the general fund, which in part, already funds education. How much will the debt payments cost annually and how will that affect current funding of

education and social services in Oregon?

T.W.: The Opportunity Initiative does not specify an amount. If it passes at the polls it still has to go back to the legislature and we still have to make the case that student aid for lower-income, lower-middle-income students and vocational and technical training are a high enough priority that they make it into the mix of bonding capacity. We will not go over the bonding limitations that we have — we have very conservative limits.

The proposal assumes that a small percentage of the state's general obligation bonding capacity will go to this program. The majority of it will still go for brick-and-mortar projects, but we think it's appropriate that a small sleeve of that bonding capacity go toward the creation of this permanent, growing endowment that will be dedicated to student aid and vocational and technical training for lower-income and lower-middle-income students.

E.G.: How many years of investment would this take to be able to expand access to the majority of Oregon's low income residents?

T.W.: It will take, as with any endowment, years for it to become completely self-sufficient, but 30 years from now, running the models we've run, if the returns in the endowment are only half of what we got over the last 30 years in the state's pension fund, which is also like an endowment, we will have expanded student aid, we will have vocational and technical training and it won't have cost the taxpayers a nickel.

So this is a long-term vision of how we can fund vocational and technical training and student aid through a very economical means and take those things out of the direct day-to-day competition with K-12. You're concerned that the initial seeding of this will compete directly with K-12. That's why we don't support higher education or student aid in this state, because in any budget cycle, it's never the most important thing, it's always the last thing, so it's easy to push something off when you're not going to see the benefits for 20 or 30 years. But if you're the next generation, if you're my

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