

Legal limbo: Safety Net of Oregon's payee trials continue

Clients of the beleaguered nonprofit say their savings are locked up while the investigation continues

BY JAKE THOMAS
STAFF WRITER

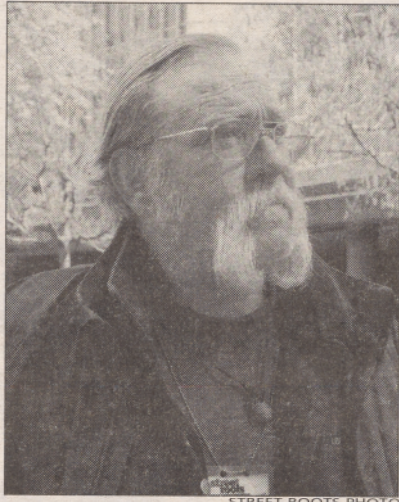
It's been four months and John Munro still doesn't know where his money is or when he'll see it.

Munro entrusted a \$130,000 inheritance to Safety Net of Oregon, a now shuttered Portland nonprofit that was tasked with administering the federal disability and veterans' benefits for individuals who need help managing their money. Some of its former clients, like Munro, forked over their savings or inheritance to Safety Net for safekeeping. In April, Safety Net was shut down by the Social Security Administration over concerns it was fraudulently mismanaging clients' funds. Now some clients are still struggling to find out what happened with their money.

"I don't know how much is gone or whatever," says Munro. "I really don't know."

If someone receives federal disability benefits but is deemed by the Social Security Administration to be unable to manage their own funds due to a physical or mental impairment, they are assigned a payee, an individual or an organization charged with making sure the money is used to pay the recipient's rent, bills and other necessities. Safety Net was the state's largest payee service with about 1,000 clients. Kathy Wilde, litigation director for Disability Rights Oregon, says that some of Safety Net's clients (she's not sure how many) came into money from a settlement, inheritance or trust and handed their money over to the nonprofit.

In March, agents with the Office of the Inspector General executed a search warrant on Safety Net's office on Southeast Morrison Street, seizing financial records and computers. The affidavit in support of the search warrant states that during a 2013 review by the Social Security Administration, Linda Stelling, CEO of Safety Net, produced records showing that the nonprofit had \$1.3 million in conserved client funds. However, bank statements,



John Munro is one of multiple customers of the now-shuttered Safety Net of Oregon who wants to know what happened to the money he gave to the organization for safe keeping.

according to the affidavit, showed a balance of approximately \$670,000. The affidavit states that the Social Security Administration's review found there was a deficiency of more than \$600,000 in Safety Net's books, which Stelling attributed to a software problem. Stelling, who is described as appearing "overwhelmed," provided contradictory information during the review, according to the affidavit.

According to Wilde, the seized computers might contain information that could corroborate the amount of money Safety Net was holding for its clients. However, she says they are currently in the possession of the U.S. Department of Justice, and she doubts that the records are adequate enough to determine how much money each client is owed.

"It's kind of a catch-22," says Wilde. Wilde says that there are two potential ways for former clients to access funds Safety Net was holding for them that haven't

been disbursed. If someone is convicted of a crime in connection to mismanagement of funds at Safety Net, then former clients could get their money through a fund set up for crime victims, says Wilde. Currently, no one has been indicted for any crimes related to Safety Net. The Social Security Administration is also responsible for reimbursing funds that were mismanaged by a payee, says Wilde. But she doesn't know when either option will produce results and doesn't expect the situation to be resolved soon.

"It could be months. Could be a year," she says. "I have no idea what's going to happen."

In the meantime, Wilde is circulating forms to former Safety Net clients so they can document how much money they are missing. She's distributed the forms to local social service agencies with instructions that they be forwarded to the U.S. Attorney's Office for Oregon.

Helen Cooper, special assistant U.S. attorney, says that she has received fewer than 20 forms claiming varying amounts of money. She says that the point of these records is to give Safety Net clients a venue to communicate any information that the U.S. Attorney's Office should have. Citing an ongoing criminal investigation, Cooper wouldn't comment specifically on the time frame of when clients might get their money, when an indictment might be coming or on the state of Safety Net's records. The amount of restitution, she noted, will be determined by a court.

"The good news is that there were bank records," she says. "And bank records speak for themselves."

Francis, a former client of Safety Net who turned in a form, doesn't want his real name used because he is worried that "they" will retaliate. By they, he means the array of government offices he's contacted trying to get the \$7,000 savings that Safety Net was holding for him. He says he has gone to the local Social Security office three times and contacted the offices of Sen. Ron Wyden

and Rep. Earl Blumenauer, in addition to the U.S. Attorney's Office, all to no avail. Francis says he wants to move, but he can't because he can't access his savings to pay for it.

"If it were the other way around, they would downright get their money," says Francis, who feels he is being punished for his thrift.

Ann Mohageri, spokesperson for the Social Security Administration's office in Seattle, told Street Roots that her agency recognizes that this is a challenging situation and wants to work with former Safety Net clients and their new payees to make sure that their needs are being met. She says that if a client has an urgent need, the Social Security Administration will review its records to see if it can pay out any money owed.

The Share & Care House, a social services nonprofit based in Puyallup, Wash., with an office in Tigard, became the payee for about 400 former clients of Safety Net, according to Charlene Hamblen, the group's executive director. Hamblen didn't comment on what happened to the savings accounts of former Safety Net clients.

When Safety Net was forced to shut its doors, it threw many of its clients into financial turmoil. Many of them suffer from severe disabilities that made negotiating for a new payee difficult. With their payee going out of business, some clients faced the very real possibility of being unable to pay their rent or other necessities. In response, Disability Rights Oregon and the Oregon Law Center sued the Social Security Administration over its handling of the situation, which led to a federal judge ordering that the agency automatically assign Safety Net clients a new payee.

"If this situation ever arises again, the sooner they blow the whistle the better," says Wilde, who notes that at last count the number of people who are still without a payee was down to 20.

Bust to boon: City Hall sees green in legalized marijuana

BY JAKE THOMAS
STAFF WRITER

For decades, cities have spent untold sums of money trying to prevent people from possessing and consuming drugs. With Oregon potentially poised to legalize marijuana, the state's largest city is already taking steps to benefit financially from pot being freely sold. However, there are concerns from Portland officials that legal weed still won't pay off.

In July, the Oregon Secretary of State's office announced that an initiative seeking to legalize marijuana had qualified for the November ballot. Sponsored by a well-funded group called New Approach Oregon, the initiative would legalize recreational sales of pot, assigning the Oregon Liquor Control Commission, OLCC, a regulatory role.

Portland Mayor Charlie Hales is already preparing for legalization. According to Josh Alpert, director of strategic initiatives for the mayor's office, Hales has assembled a task force of 20 and growing City Hall staffers encompassing a wide range of bureaus and offices, including police, revenue, neighborhood involvement, development services and others. Alpert says that the task force was initially formed in response to a new state law that allows for medical marijuana dispensaries, but was broadened to examine the effects of outright

legalization.

"It's really such a massive topic that we're just trying to get our arms around it," says Andy Smith, Portland's state government relations manager.

Smith says that one of the big issues Portland will be grappling with if marijuana is legalized this fall, is how much tax revenue it will bring in for the city. He points out that the initiative that will be on the ballot this fall prohibits local governments from taxing marijuana.

The way the initiative is written, the OLCC is responsible for collecting taxes, which will run \$35 per ounce on all "marijuana flowers," \$10 per ounce of all "marijuana leaves" and \$5 per "immature plant." The money collected by the OLCC will be passed along to the state treasurer. From there, 40 percent will go the Common School Fund, 20 percent will go to mental health and addictions treatment, 15 percent to the state police to assist local law enforcement to help out with its new duties and 10 percent shall go to the cities. And that's where things get tricky.

The initiative lays out a complicated formula for calculating how much of that 10 percent each city gets, which is calculated by population and the number of pot retailers.

"It's really hard to estimate what the



dollar distribution is," says Scott Karter, audit and accounting division manager at the Portland Revenue Bureau. "The revenue picture is very unclear at this point."

Although Colorado and Washington have legalized pot, he says that it's hard to look to those states to see how things could play out in Oregon because their legalizing initiatives are so different. One key way they differ is that the Colorado and Washington laws allow local governments to tax pot sales.

Earlier this year, Gresham, Fairview and Clackamas County all passed one year bans on medical marijuana dispensaries. The legalization initiative allows local governments to ban pot shops from opening

in their jurisdictions. If these cities ban retailers, Karter says it's possible that more shops will open in Portland, which will bring in more revenue for the city.

In July, economic consulting firm ECONorthwest released a study that found that if Oregon voters legalize pot this fall, it could generate \$38.5 million in excise tax revenue during the first fiscal year and \$78.7 million in the first full biennium of tax receipts. However, the study does not examine how legalization might affect courts, police and jails.

The initiative assigns most of the regulatory authority to the OLCC, and, if approved, will give local governments few tools to regulate marijuana retailers. Smith says the city has faced a similar scenario with alcohol.

"We've had challenges on the alcohol side, where bars and clubs can go and how they lose their license," he says. "If they are bad actors, we don't have a lot of control over that."

Portland has a "Time, Place and Manner" ordinance in place that allows it to place some restrictions on problem bars and require them to go through an abatement plan. However, the OLCC retains much of the licensing power over bars. Alpert says the city might adopt a similar ordinance to regulate legal marijuana facilities.

Smith points out one key way that Portland's challenges with regulating alcohol might differ from regulating pot.

"Historically on the alcohol side, the costs are higher than what we get in revenue," he says. "I don't know if it's fair to say that's going to be the same with marijuana."