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DISCRETIONARY GRANT
PROGRESS REPORT

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U. S. DEPARTMENT OF JUSTICE LAW ENFORCEMENT ASSISTANCE ADMINISTRATION Region X		Oregon Law Enforcement Council	
GRANTEE Oregon Law Enforcement Council Salem, Oregon 97310	LEAA GRANT NO. 76-ED-10-0005	DATE OF REPORT 4/20/78	REPORT NO. 9
IMPLEMENTING SUBGRANTEE Oregon Corrections Division 2575 Center Street N.E. Salem, Oregon 97310		<input type="checkbox"/> REGULAR QUARTERLY <input type="checkbox"/> SPECIAL REQUEST <input checked="" type="checkbox"/> FINAL REPORT	
PROJECT TITLE OF PROJECT Offender Subsidy Support Program		GRANT AMOUNT \$200,000	
REPORT IS SUBMITTED FOR THE PERIOD 2/1/76		THROUGH 1/31/78	
NATURE OF PROJECT DIRECTOR		TYPED NAME & TITLE OF PROJECT DIRECTOR Mr. Al Chandler Project Director	

CONTINUE REPORT HERE (Add continuation pages as required)

The Offender Subsidy Program was written and designed to test-out three different methods of providing financial assistance to offenders with a demonstrated need. As conceived, this program, or one of its three facets, would be available to serve virtually anyone in need of financial aid whether that assistance was needed within an institution or for activities on the outside after release or while on probation or parole.

The three elements of this project are totally separate. While they have similarities, mainly in terms of their collective clientele, one is not dependent upon the other for successful operation. During the course of the two year history of the program, all three facets of the program: a cash subsidy pool; a credit union organized and operated by offenders; and, a guaranteed loan program operated through regular financial institutions, were formed. With one minor exception to be recounted later, all three program elements met or exceeded all stated grant goals.

Credit Union

As stated in the grant the objective of the credit union portion of the proposal was to..."Through the cooperation of community participants, related agencies, and correctional clients, establish a credit union which is specifically designed to meet the needs of the offender and/or exoffender..." Much to the credit of the organizers and Board of Directors of the Mill Creek Credit Union, this has been accomplished.

The Mill Creek Credit Union was incorporated in February of 1976 as a non-profit Oregon corporation. Subsequently, a charter was issued and shareholder recruitment began. Since the opening day, the MCCU has continued to grow and as far as deposits are concerned, it had grown to approximately \$100,000 as of mid-April of 1978.

Despite its continuing growth, and virtually unlimited growth potential, development has not been a simple and easy task, nor does it

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that future operations are destined to be easily accomplished.

The development of MCCU represented the first effort of its kind, at least in the United States. While the idea underlying its development, that of creating a financial institution which is designed to serve the offender population and instill good money management habits, sounds akin to motherhood and apple pie, it has not always been enthusiastically endorsed. To some persons along the way, the idea of an offender population organizing and operating a financial institution has not been well received. In some, the idea of trusting offenders with finances is something to be anathematized.

Since it is not possible to develop any type of a savings and loan institution without the explicit blessing of state banking divisions, credit union leagues or similar counterparts, and those organizations which provide deposit insurance, it is absolutely necessary for such a proposal to be very well developed and sold to those whose support is essential. All of these tasks were very well handled by the Board of Directors of MCCU with the aid and assistance of the project staff. Barriers of prohibition and prejudice were overcome and a great many people gave of their time and expertise to assure that the Credit Union was properly established, chartered and insured. Assistance from the Oregon Banking Division, the Oregon Credit Union League, and many other sources served well to assist in the establishment of MCCU.

The opening and initial drive to recruit shareholders for MCCU was held in July of 1976. As indicated in the organizational documents of the CU, only offenders and exoffenders are eligible for membership or to hold office. To date, all membership appeals have been directed at the felony institutions within the State of Oregon, at those persons currently on the state's parole and probation caseload, or to those exoffenders who have completed their sentence commitments.

From the date of inception, the LEAA grant was not designed to provide any financial support for personnel to operate the credit union. The only grant funds provided for the project were used for supplies and services items. Initially, and perhaps somewhat naively, it was thought that it would be possible to operate the day-to-day functions of the organization with the use of volunteers. Since the almost immediate collapse of that theory, a variety of means have been attempted to maintain full-time staffing. To date, the major source of full-time staffing has occurred through CETA and private monies. However, both of these sources have been exhausted effective March 31, 1978 and the current manager of the CU office is working without pay.

In order that the CU may attain full operational independence, it will be necessary for share deposits to reach approximately 450 thousand dollars. Then, revenues will be sufficient to support all necessary staff as well as all operating costs. When grant funds expired in February, the Corrections Division assumed some of the operating costs including supplies, office space, telephone, etc.

Miss Creek

STATEMENT OF FINANCIAL CONDITION

As of March 31, 19 78

Assets	End of this Period	Acct. No.	Liabilities and Equity	End of this Period
Loans	\$	800	Accounts Payable	\$
Loans		801	Accounts Payable	
			<i>O.C.C.U.</i>	<i>19,043 69</i>
				<i>267 26</i>
Total	<i>35,841 69</i>			
Less Allowance for Loan Losses				
Net		820	Dividends Payable	
Cash	<i>3,518 91</i>		Taxes Payable:	
Cash		840		
Investments:			Other Liabilities:	
	<i>27 68</i>	860		
	<i>57 58</i>			
Accrued Income:			Total Liabilities	
			Shares:	
Prepaid and Deferred Expenses		900	Shares	<i>66,986 12</i>
		901		
Fixed Assets: (Net)			Regular Reserve	<i>1,174 14</i>
		931		
Furniture and Equipment		940	Undivided Earnings	<i>2,244 95</i>
			Net Income (Loss)	<i>187 30</i>
Other Assets:		960		
			Total Equity	
Total Assets	<i>89,525 86</i>		Total Liabilities and Equity	<i>89,525 86</i>

STATEMENT OF INCOME

For the Period Ending _____, 19 ____

Acct. No.	This Period From To Date	Year To Date
100	Operating Income:	\$
111	Interest on Loans	<i>312 42</i>
113	Inc. from Lns. of Liq. Cr. Unions	<i>723 00</i>
	Total	
119	Less—Interest Refund	
	Net	
121	Income from Investments	<i>1 07</i>
131	Fees and Charges	<i>47 00</i>
187	Miscellaneous Operating Income	<i>16 22</i>
	Total Operating Income	<i>376 31</i>
200	Operating Expenses:	
210	Compensation	
220	Employee Benefits	
230	Travel & Conference Expenses	
240	Association Dues	
250	Office Occupancy Expenses	<i>130 00</i>
260	Office Operations Expenses	
270	Educat. & Promot. Expenses	
280	Loan Servicing Expenses	
290	Professional & Outside Services	
300	Provision for Loan Losses	
310	Members' Insurance	
320	Fed. Supv./Exam. Expenses	
330	Cash Over and Short	
340	Interest on Borrowed Money	<i>184 67</i>
350	Annual Meeting Expense	<i>32 00</i>
360	Misc. Operating Expenses	<i>48 87</i>
	<i>Bank Chgs.</i>	<i>36 40</i>
	Total Operating Expenses	<i>1064 00</i>
	Income (Loss) From Operations	
400	Non-Operating Gains (Losses):	
420	Gain (Loss) on Investments	
430	Gain (Loss) on Disp. of Assets	
	Total Non-Operating Gains (Losses)	
	Income (Loss) Before Dividends	
380	Dividends	
	Net Income (Loss)	

certify, to the best of our knowledge and belief, this statement and the related statements are true and correct and present the financial position and the results of operations for the periods covered.

Treasurer *Dancy Dennis* Officer: _____

STATISTICAL REPORT As of _____, 19 ____

	Number	Amount		Number	Amount
Delinquent Loans:		\$	4. Loans Made:		\$
a. 2 to less than 6 months			a. Loans made year to date	<i>4</i>	
b. 6 to less than 12 months			b. Loans made since or an.	<i>202</i>	
c. 12 months and over			5. No. Members' & Nonmembers'		
d. Subtotal			Accounts at End of Period	<i>680</i>	
Current and less than 2 months delinquent			6. No. of Potential Members		
Total Loans		\$	7. Lns. Charged off Since Org.		
			8. Recoveries on Lns. Charged off Since Organization		

However, it will not be possible to continue indefinitely without salaries for staff, nor will it be possible to continue the association with the Corrections Division on a continuing basis.

Therein lies the only objective yet to be achieved in the program. The original grant called for complete independence of the CU by March of 1978. Unfortunately, this objective has not been achieved. Currently, it would appear that some source of outside funding will be required for at least two more years. In this period of time it will be possible for the CU to expand its recruitment to other states and the federal system. Without doubt, the market exists for MCCU to develop and thrive if support can be obtained to underwrite expansion over the next 24 months.

A financial statement as of the close of the last business day in March is included by attachment.

Guaranteed Loan Program

Historically, a man or woman who had been arrested and sent to prison could expect to lose virtually all civil rights. This loss extended to all aspects of normal activity including: the loss of voting rights; the right to serve in the military; to sit as a juror; the right to initiate a civil suit while incarcerated; the right to marry; the right to apply for certain licenses required in the pursuit of different types of professions; etc. Not the least of these losses has been the inability of an offender to secure financial assistance or loans through any legitimate means. While the long list of other taboos and prohibitions have been slowly eroded down over the past few years, the loss or absence of credit is as critical today as it was at virtually any other point in time.

Most states, including Oregon, provide the person leaving prison with what is generally referred to as "gate money." In Oregon, this sum of financial assistance is \$100. If the individual was fortunate and had a paying job while incarcerated, he or she may also leave with some savings. However, when the level of income may have ranged from nothing to two or three dollars per day, the amount saved will be minimal. With the \$100 gate money and whatever savings may have been maintained, the newly released individual is expected to reenter the community and reestablish him/herself in a socially responsible manner.

Unfortunately, if the person so released is without additional aid from family or friends, financial failure is virtually a guarantee. With financial resources amounting to \$100, this person will require food, shelter, transportation, clothing for street and work use, incidental expense money, possibly tools or union initiation fees and dues, etc. Even if this individual begins work immediately upon release, he or she is destined to experience frustration and

in all probability, failure, if additional funds are not available from some source.

The Legislature has determined that the average cost of maintaining a person in one of the state's institutions is \$20.69 per day. It would appear therefore, that a newly released offender is provided with gate money equal to 4.83 days of maintenance, or otherwise stated, this individual has 4 days within which to generate income or begin functioning with a deficit. Additionally, it must be borne in mind that the figure of \$20.69 does not include the need for any transportation, union dues or fees, licenses, etc., it is for food and shelter only and reflects the cost of offering these items in large volume in restricted space.

Several official attempts have been made in Oregon over the years to mitigate what is obviously a frustrating situation. The Legislature has received various proposals which would increase gate money, suggestions that releasees be placed in qualification for limited unemployment insurance, welfare assistance, etc. Additionally, the Corrections Division has, by one means or another, managed to maintain grants over the past five or six years which enable them to provide cash subsidies where needed. Unfortunately, none of these have developed into an adequate answer to the problem.

Along with the cash subsidies and credit union portions of the Offender Subsidy Support Program, a third element was added to provide for the development of a loan program for offenders. With the complete knowledge that this program alone would also fall short of solving the entire problem, it was designed to become an ongoing source of assistance for those cases wherein the need was the greatest. Additionally, it was intended that participation in this program would provide those participating with legitimate access to normal channels of financial assistance on the outside and assist them in establishing a normal line of credit in their own behalf.

Initial planning and program development was predicated on the solicitation of agreements with one statewide lending institution which would make and manage all loans within the parameters of the program. It was intended that the selected lending institution would receive a guarantee deposit of \$25,000 against which loans could be made. Each loan application would be required to carry two recommendations, that of the applicant's PO and one from the administrative staff of the Corrections Division. Loans were to be made in relatively small denominations and only against items of collateral such as tools, automobiles, etc. Negotiations with the largest bank in the state were pursued over a period of months. The final point of departure from this plan came when it was finally deduced that the bank was completely willing to make the recommended loans against the \$25,000 collateral guarantee, but they were not willing to pursue collections in the same manner that they do under normal circumstances. Rather than repossess the collateral in the event of defaulted loan, they simply wanted to recover their losses immediately from the guarantee deposit, leaving the problems of repossession and recovery in the hands of the Corrections Division.

For obvious reasons, this approach was not acceptable to the Division and another method had to be developed. At this juncture, the staff of the project discovered that it might be possible to establish such a project by utilizing the same program already functioning for the state's scholarship commission. In this design, there is an established agreement between the program operator (in this instance the loan program), the State Treasurer's Office, and the Revenue Department of the State of Oregon.

The sum or loan value to be guaranteed is deposited with the State Treasurer. As loan applications are received and recommended by the PO and Corrections Division staff, they are then presented to any lending institution of the applicant's choice. That institution is aware that recovery from a defaulted loan may be made immediately from the State Treasurer. Thereafter, the Treasurer's Office and the Revenue Department cooperatively pursue the collection of the default from the loan recipient. This pursuit may extend to the point of state confiscation of any property or state tax refunds due the applicant until such time as the default judgement has been satisfied.

As pointed out earlier, this program does not solve all of the problems outlined for the releasee. Because of the minimal amount of the available guarantee, the risk of default must be reduced to an absolute minimum. For that reason only a limited number of persons are able to participate in the program. Additionally, only those who have survived the frustrations outlined above for a period of 90 days of active work history are qualified to apply. However, this problem is addressed in part by the presence of the credit union. Members of the MCCU may secure loans for established purposes through the credit union at any point in their programming, including the time of release. This, coupled with the later availability of the loan program can make the difference in an individual's successful reintegration into the community. :

The major advantages of both the credit union and the loan program over gate money and/or some other type of dole such as cash subsidies is that the recipient has an obligation to repay the money. With gate money and/or cash subsidies, once the funds are paid out, the overall resource is depleted by that amount and is not recoverable. With the availability of loan funds, from whatever source, the person incurs a responsibility for his own actions as well as to other offenders who will require later access to the same loan program.

The loan program has now been operational for just under one year, and a total of 41 loans have been granted as measured against the program objective of 40 loans. The range of loans granted extends from a low of \$95 to a maximum to date of \$1,500. Thus far, the program has recorded no defaults, although two of the loans are delinquent as of this writing. The total loaned to date is \$25,284. In the majority of cases, the monies loaned were for the purchase of transportation (automobiles or motorcycles) and/or for the cost of tools and initial job expenses.

Cash Subsidies

The problems faced by discharges from state correctional institutions are many and varied. Specifically, those related to need for financial assistance were editorialized at length in the earlier section regarding the development of the loan program. Nevertheless, these problems as they related to the reintegration of an individual from an institution back into the community are very real and persistent.

The maintenance of an individual in prison is a very expensive proposition for the taxpayer, and whether one examines the treatment from the perspective of a social worker or that of a very conservative accountant, every effort should be made to insure that those who have been released from an institution do not return. Most persons leaving an institutional setting either on parole or free from any supervision have friends or family on the outside who can lend assistance and support for the individual's reintegration into the community. However, for those individuals lacking outside support, readjustment and reorganization for community living can be a most difficult task.

For the average person returning to the street without secondary support there is a need to secure housing, which even at the most basic level will cost approximately \$125 per month with the first and last month in advance, or \$250; next, this person will require some method of transportation or access to same. Depending on where the individual lives this cost may range from a low of \$15 per month for public transportation up to \$100 or more for the operation of an automobile; incidental expenses will be incurred at a cost of at least \$25 per month; food and clothing will require another \$120 per month minimum; together, these minimum essentials will require the individual to expend no less than \$410 within the first month back in the community.

To meet this minimal need, which does not include the cost of finding employment or the payment of any job related dues or fees, this person is provided with \$100 gate money at the time of release from the institution. There are some individuals who would not require even the gate money provided, in order to legitimately finance the reestablishment of a home and living expenses. However, for those with no other resources, some device was and remains necessary to provide emergency financial assistance.

In an effort to assist in those instances where no other legitimate choice exists, the Corrections Division devised the cash subsidies program five or six years ago through the grant process, and that framework was continued on through this current grant. As opposed to some earlier efforts, the cash subsidies available through this particular grant were very carefully and meticulously managed and expended. Only those clients with the greatest need were considered for a cash award. The funds were disbursed to pay specific charges

for rent, utilities, food, transportation, clothing, incidentals, and tools. The category of transportation in some situations was no more than the price of a bus ticket to a city wherein a job had been promised. Clothing also included, in addition to street clothes, special clothing or boots required for beginning a new job while incidentals may have included items such as the purchase of personal items, antabuse, health care, etc.

In none of the 515 cases included in this grant, did any person receive a "lumpsum" check as a subsidy to their gate money of other funds. In point of fact virtually all checks were paid directly to the individual or firm providing the service or material being purchased. By category of expenditure and percent of total, subsidies were paid out as follows:

<u>Purpose</u>	<u>Amount</u>	<u>Percent of Total</u>
RENT	\$38,626	67.34
UTILITIES	828	1.40
FOOD	1,052	1.83
TRANSPORTATION	3,735	6.51
CLOTHING	5,782	10.08
INCIDENTALS	4,608	8.03
TOOLS	<u>2,474</u>	<u>4.31</u>
Total	\$57,105	99.50

The average amount received per subsidized individual was slightly in excess of \$111. This average figure is grossly misleading, however, since the funds provided ranged from, as little as \$1.95 up to a high of \$458. As indicated above, the bulk of the funds disbursed went for rent. Rental subsidies ranged from \$10 to a high of \$410, with the average provided to 305 clients being \$127.

Although several of the applications for subsidy, as filled out by the clients' PO's, were somewhat less than complete, a reasonably good profile of the participants can be drawn. Men participants totalled 471, or 91 percent, and 44 women comprised the balance of recipients. The participating clients ranged in age from 19 up to 72 years of age, with a program average of 30.02 years. It appears that the average age of participants in this program is not only higher than the average for Corrections Division clients in general, but also for other COPE programs which indicated an average age of approximately 23 years.

If one can legitimately draw any conclusions from information such as marital status, education, and job skills as indicators of personal or emotional stability, the reader may be interested in the

following information: of the information available by category on the program's participants, the average client was a 30 year old single male with a high school diploma or equivalency certificate, and no salable job skills.

AGE	MARITAL STATUS			EDUCATION				
	MARRIED	DIVORCED	SINGLE	1-5	6-8	9-11	12	12+
19-72	94	107	295	8	45	114	189	56
<u>30</u>	19%	21%	<u>59%</u>	2%	11%	28%	<u>46%</u>	14%

The information available distinguished between those who had not been married versus those who were currently single by reason of divorce. Additionally, of the 189 persons indicated to have 12 years of education or its equivalent, 87 were based on a GED. While 56 of the clients had educational experience beyond high school, only three of these had 16 or more years of formal education.

While it was less definitive than any of the other items of information, some conclusions can be drawn regarding the employability of the client group. References to employment history and/or job skills were available for 445 of the 515 clients. Skill levels were adjudged subjectively on the basis of the job or occupation listed and whether or not that position required any formal training as a prerequisite for employment or performance. Based upon the information provided, and giving any benefit of doubt in favor of the client, it would appear that only 14 percent, or 64 of the 445 clients on whom information was available, possessed any job skills or formally recognized occupation. This contrasts with a large number who had never held a permanent job of any kind.

If any inferences short of an evaluation can be drawn from this project and its operation, it is that the money disbursed was by and large given in the cases of most need and only for those purposes which were essential to survival on the streets. While one could well question the value of spending five dollars to write a check for \$1.95, these situations number less than ten out of the entire program.

A review of the program and its clientele simply reinforces a fact which is already known, that some type of immediately available cash assistance is required for a large number of correctional clients. As pointed out earlier, \$100 of gate money will not suffice to even approximate the financial resource required for a client's first month back in the community or until such time as transportation, housing, food, clothing, etc. and the resources required to sustain them, are secured and stabilized.

END