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FISCAL IMPACT REPORT

SPONSOR Martinez DATE TYPED 3/2/05 HB

SHORT TITLE Individual Development Account Financing SB 756

ANALYST Hadwiger

APPROPRIATION (in \$000s)

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$1,500.0			Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Human Services Department (HSD)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 756 appropriates \$1.5 million from the general fund to the Department of Finance and Administration (DFA) for expenditure in FY06 and subsequent fiscal years to establish reserve funds and otherwise carry out the provisions of the Individual Development Account Act (IDA).

Significant Issues

The IDA program allows poverty profile individuals the ability to enhance their assets without reducing their public assistance. The act was signed into law by Governor Richardson in April of 2003 with an original appropriation of \$100,000 which was reverted back to the general fund in May 2004. The City of Gallup, City of Bloomfield and the Village of Milan will be the first to implement the IDA pilot program for the State of New Mexico. The initial projections indicate that approximately 70 area residents will participate in the project. CDBG will match funds in addition to funds provided by the Economic Development Department, The New Mexico Finance Authority and federal monies.

The IDA receives oversight of an advisory committee appointed by the Governor, consisting of nine members representing different areas of the state. The Lieutenant Governor serves as the chair of the committee. So far the committee has performed these duties pro-bono. SB756 will provide much needed seed money required to procure federal funding and help meet the ever increasing demand for these types of programs statewide. The funding will enhance New Mexico's visibility to the federal government showing our dedication in improving the poverty profile.

The Human Services Department (HSD) noted it is difficult to predict how many of HSD's current recipients would take advantage of this opportunity, but under Section 58-30-12, NMSA 1978, money deposited into an individual development account, interest earned on that account and interest and matching funds deposited in a reserve account for the benefit of the account owners are disregarded for the purposes of determining TANF eligibility for benefits and for determining benefit amounts. Similarly, in determination of eligibility for benefits and monies due under the Food Stamp Program and Medicaid, HSD must disregard money deposited into an individual development account, interest earned on that account, and interest and matching funds deposited in a reserve account for the benefit of the account owners.

PERFORMANCE IMPLICATIONS

DFA noted that the IDA advisory committee has held six meetings in the year 2004. Since that time, the committee has produced a list of rules and regulations that will be published in the New Mexico Register in April 2005. Currently, DFA oversees the large IDA program within New Mexico through the small cities CDBG Economic Development funding. DFA is the only body with actual governing authority. According to DFA, the IDA program needs to have a formidable structure, a source of funding and a plan to disburse those funds. Once the rules are published the state will be prepared move ahead to meet the demands for IDA services throughout New Mexico.

FISCAL IMPLICATIONS

The appropriation of \$1.5 million contained in this bill is a non-recurring expense to the general fund, because the appropriation would be used to establish a reserve fund. These funds could be used to draw as much as \$1 million in federal funds, according to DFA. Any unexpended or unencumbered balance remaining at the end of FY06 would not revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

The Local Government Division of DFA in conjunction with the Department of Labor Office Of Workforce Training (OWFT) will administer these funds pursuant to a Memorandum of Understanding. This is a program currently in place and the department does not see this as overly burdensome. According to LGD, once the funding is in place the understanding is that the funding will transfer to the OWFT. SB285 is proposing this transfer of administrative power in this year's legislature. DFA indicated the OWFT is better suited to oversee this funding. The OWFT is currently administering several similar projects including TANF (temporary assistance for needy families) recipients.

DH/yr