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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/08

SPONSOR Sanchez, B. LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE New Mexico Individual Development Accounts SB 459

ANALYST Lucero

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$1,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Workforce Solutions (DWS)

### SUMMARY

#### Synopsis of Bill

Senate Bill 459 appropriates one million (\$1,000,000) from the general fund to the individual development fund for expenditure in FY09 to carry out the provisions of the Individual Development Account (IDA) Act.

### FISCAL IMPLICATIONS

The appropriation of one million (\$1,000,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund.

The language in this bill conflicts with Section 58-30-13 NMSA 1978 which created the individual development fund as a non-reverting fund; therefore, the language “Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund” is in conflict with the statute.

## **SIGNIFICANT ISSUES**

DWS administers the IDA program through the Workforce Transition Services Division. Three contractors administrate the program including: Community Action, Women Economic Self-Sufficiency Team, and HELP NM.

To reach geographic areas of the state not currently receiving funding, this bill could be amended to include language precluding existing service areas from receiving the newly appropriated funds contained in this bill.

The department could issue another request for proposals (RFP) to allocate the appropriation in this bill or could expand the existing contracts. Requirements to qualify as a provider are detailed in Section 59-30-3 NMSA 1978.

## **PERFORMANCE IMPLICATIONS**

DWS does not currently report IDA performance outcomes. Program measures could be developed such as “Number of individual development accounts created during fiscal year 2009.”

## **ADMINISTRATIVE IMPLICATIONS**

According to Section 58-30-5 NMSA 1978, the Department of Workforce Solutions can use no more than 5 percent of the appropriation to administer the Act.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

The language in this bill conflicts with Section 58-30-13 NMSA 1978 which created the individual development fund as a non-reverting fund; therefore, the language “Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund” is in conflict with the statute.

## **TECHNICAL ISSUES**

None identified

## **OTHER SUBSTANTIVE ISSUES**

Individual Development Accounts (IDAs) are matched savings accounts that enable low-income or low-wealth participants to save, build assets, and enter the financial mainstream. IDAs reward the savings of working-poor families who are saving to buy a home, pay for post-secondary education, purchase a vehicle for work, or start a small business. IDAs make it possible for low-income families to build the financial assets to achieve the “American Dream.”

IDAs provide a match incentive through a variety of government and private sector sources. In New Mexico, IDA participants must complete a financial literacy course to receive the matched funds.

**AMENDMENTS**

The sponsor of the bill may want to amend the bill and insert at the beginning of line 18 “and subsequent years”. Additionally, the bill should be amended to include the word “not” on line 20 after the word “shall” and before the word “revert”. This would resolve the conflict with Section 58-30-13 NMSA 1978 which created the individual development fund as a non-reverting fund.

To reach geographic areas of the state not currently receiving funding, this bill could be amended to include language precluding existing service areas from receiving the newly appropriated funds contained in this bill.

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