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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/13

SPONSOR Taylor LAST UPDATED \_\_\_\_\_ HB 372

SHORT TITLE Individual Development Account Provisions SB \_\_\_\_\_

ANALYST Weber

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	500.0	Recurring	General

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$50.0	\$50.0	\$100.0	Recurring	General

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Workforce Solutions Department (WSD)

### SUMMARY

#### Synopsis of Bill

House Bill 372 appropriates \$500,000 from the General Fund to the WSD to carry out the provisions of the Individual Development Account Act.

### FISCAL IMPLICATIONS

The appropriation of \$500,000 contained in this bill is a RECURRING expense to the GENERAL FUND. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

WSD provides a breakdown of anticipated costs related to revitalizing the program:

With current administrative requirements, additional operating budget impact of .5 FTE effort along with 22.23 percent indirect costs and 30 percent cost center overhead for the start-up, operation and management of the program would be taken out of the \$500 thousand appropriation.

1. One-half of staff time equals \$31,446
2. Indirect fair-share costs at 22.23% equals \$6,990
3. Cost center Over-head at 30% equals \$4,716
4. The Council is required meetings to meet twice per year. The council consists of the Governor and 8 appointed members at \$95 per diem times 9 members times twice a year for a total of \$1,710.
5. Mileage estimated at .41 per mile: 9 travelers at 100 miles twice a year equals \$738.

Total estimated costs equal \$45,600 annually

If DWS served solely as a pass-through for the IDA appropriation, DWS administrative functions would be limited to allocating the appropriation to the State IDA Program Administrators.

However, the Individual Development Account Act prohibits more than 5 percent of an appropriation to fund the Act be used for administration, or in this case \$25,000.

To remain at the \$500,000 appropriation level and also provide adequate funding for administration, consideration could be given to allocating \$450,000 to the Individual Development Fund and \$50,000 to WSD.

## **SIGNIFICANT ISSUES**

An Individual Development Account (IDA) is a custodial savings account opened between a community-based, not-for-profit service organization and an income-eligible person. Those who are eligible have low annual incomes. The savings is established for the purchase of a pre-determined asset, most commonly a first time home purchase; post-secondary education; or capitalizing a small business. The New Mexico State IDA Act also allows vehicle purchase and home rehabilitation as eligible asset purchases. The savings of the participating individual is matched at a pre-determined ratio established by the community-based organization, commonly 3 to 1 or 4 to 1. Savings participants establish savings goals, complete financial management education, and complete an asset plan that aligns with their purchase. Savings participants must have a form of earned income in order to participate and must make regular deposits into their savings. When all the program requirements have been met, and the savings participant is ready to apply the savings to the asset purchase, disbursements are prepared in the name of the vendor, rather than the saver.

At the present time DWS has no funds for this purpose and the Council has not met in approximately 2 years. At the agency level the program is effectively defunct.

MW/blm