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## FISCAL IMPACT REPORT

SPONSOR McSorley ORIGINAL DATE \_\_\_\_\_  
LAST UPDATED 03/12/15 HB \_\_\_\_\_  
SHORT TITLE Children's Development Account Act SB 676  
ANALYST Sanogo

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

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$83.0	\$83.0	\$166.0	Recurring	STO

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files  
Department of Finance and Administration (DFA)  
Children, Youth and Families Department (CYFD)  
State Treasurer's Office (STO)  
Federal Reserve Bank of St. Louis, of San Francisco  
Children and Youth Services Review

### SUMMARY

The purpose of SB 676 is to increase the economic security of a child during transition into adulthood. Excluded from means-tested program and benefit calculations, funds in the child's development account (CDA) would remain inaccessible until it is liquidated for an eligible use.

### FISCAL IMPLICATIONS

The State Treasurer's Office (STO) reports that it would require one additional FTE to administer the provisions of SB 676, at an average cost of \$83 thousand per fiscal year.

### SIGNIFICANT ISSUES

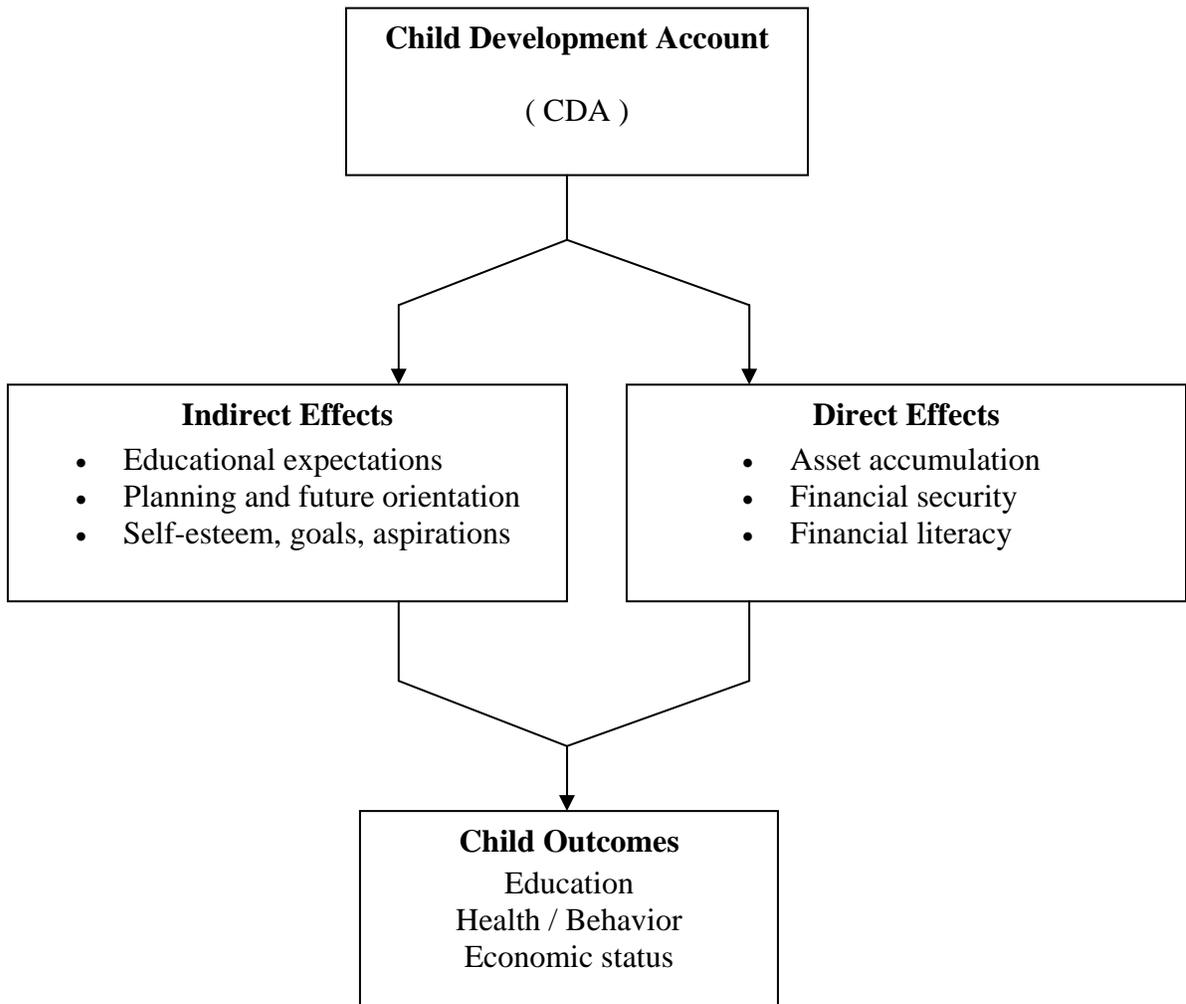
In 2010, the Federal Reserve reported that nearly 23 percent of US households had zero or negative net worth, the "largest proportion since such data started being collected in 1962."

Apart from the direct effects on a child's economic well-being, academic research has identified the influential role of assets on educational outcomes. By simply opening an account, "both the parent and child will perceive college (or other allowable uses) as a tangible goal and begin taking concrete action to make the goal a reality."<sup>1</sup>

<sup>1</sup> T.R. Williams Shanks, et al. Children and Youth Services Review, 32 (2010)

These indirect effects are identified as positive contributions to a child’s development beyond financial security (see figure, below). Even after accounting for the effects of income and parent’s education, children growing up in higher-wealth households experience better outcomes, particularly in math scores, high school graduation and college enrolment<sup>2</sup>. The University of Michigan School of Social Work and the Federal Reserve Bank of San Francisco report that:

CDAs may have substantial cumulative effects, perhaps starting with how parents think about the child’s future and eventually influencing the child’s own attitudes and outcomes.<sup>3</sup>



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<sup>2</sup> T.R. Williams Shanks, et al. Children and Youth Services Review, 32 (2010)

<sup>3</sup> FRB San Francisco, Community Investments, 26 (2)