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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/2020

SPONSOR Tallman LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Individual Development Account Act SB 24

ANALYST Bachechi

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$1,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	N/A	N/A				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department

Workforce Solutions Department

### SUMMARY

Senate Bill 24 appropriates \$1 million from the general fund to the Workforce Solutions Department (WSD) to carry out provisions of the Individual Development Account Act, §58-30-1 NMSA 1978.

Individual development accounts are an asset building tool designed to enable low-income families to save toward a targeted amount, usually used for building assets in the form of home ownership, post-secondary education and small business ownership. The eligibility requirements are set out in the act.

## **FISCAL IMPLICATIONS**

The appropriation of \$1 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of each fiscal year shall not revert to the general fund.

## **SIGNIFICANT ISSUES**

Individual development accounts (IDA) originate out of a federally funded program that requires a nonfederal match. This state appropriation supports the program by contributing funds that constitute this nonfederal match. The goal of the IDA program is to help eligible individuals and families move toward self-sufficiency through the establishment of savings plans that are matched by private and public funds. Saved funds can then be used for certain allowed purposes, including

- Attending postsecondary or vocational education
- Buying a first home
- Major home repairs
- Starting or expanding a business and
- Buying vehicle for work.

The Individual Development Act (§58-30-1 NMSA 1978) was amended in 2019 to include provisions establishing limits on administrative expenses and clarify administrative responsibilities. Under the amended act, WSD can use no more than 5 percent of the money appropriated for administrative expenses and program administrators, nonprofit organizations or tribes interested who establish individual development account programs, can use no more than 12 percent of the money appropriated for administrative expenses.

For FY20, WSD received an appropriation of \$200 thousand to implement the act. \$150 thousand was earmarked in Section 4 language of the General Appropriation Act and an additional \$50 thousand in a nonrecurring appropriation was included SB536. Per WSD, the departments FY21 appropriation request included a \$50 thousand recurring appropriation for the program.

## **ADMINISTRATIVE IMPLICATIONS**

Under the act, WSD is required to perform the following administrative functions: develop an annual report, convene and provide administrative support to an IDA council, conduct monitoring reviews of programs and administrative processes including ensuring single audits are completed, complete request for proposals for allocation of funds, and prepare statistical and program reports as requested. Under the amended act, WSD can use up to 5 percent of the funds allocated, but depending on the amount of the appropriation, five percent could fall short of covering WSD's administrative costs.

CB/sb/rl