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FISCAL IMPACT REPORT

ORIGINAL DATE 01/22/14
SPONSOR Thomson **LAST UPDATED** _____ **HB** 70

SHORT TITLE Individual Development Accounts **SB** _____

ANALYST Kludt

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$500.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$500.0	\$500.0	\$1000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

LFC Files

Responses Received From
 Workforce Solutions Department (WSD)

SUMMARY

Synopsis of Bill

House Bill 70 appropriates \$500 thousand from the general fund to the (WSD) to carry out the provisions of the Individual Development Accounts Act (IDAA). The IDAA is intended to encourage and assist indigent individuals to save money for targeted goals, such as attending school, buying a first home, buying a vehicle for work and starting or expanding a business.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a recurring expense from the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year should not revert.

The WSD provided the following breakdown of additional administrative costs related to administrating the bill:

1. .5 FTE staff totals \$36.0 thousand
2. Indirect fair-share costs totals \$6.5 thousand.
3. Cost center Over-head totals \$5.0 thousand.
4. The Council is required to meet twice per year. The councils of the Governor and 8 appointed members at \$95 per diem times 9 members times twice a year totals \$1.7 thousand.
5. Mileage estimated at .45 per mile: 9 travelers at 100 miles twice a year totals \$8 hundred.

The WSD states that these indirect cost and cost center overhead for the start-up, operation and management of the program total an estimated \$50 thousand annually in additional administrative costs not contemplated by the bill.

SIGNIFICANT ISSUES

The WSD reported that IDAs originated out of a federally-funded program that requires state match. The state appropriation supports the program by contributing general funds which constitute this non-federal match. The goal of the IDA program is to help eligible individuals and families move towards self-sufficiency through the establishment of savings plans that are matched by private and public funds. These funds can then be used for certain allowed purposes, including:

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

WSD reported that it has served as the administrator to the entities that receive the federal funds for IDA in the past, and the administration was labor intensive and required a significant amount of staff time. Additionally, the agency reported that a 5 percent cap for administrative support did not cover the cost of staff time devoted to this project.

ADMINISTRATIVE IMPLICATIONS

The following administrative functions were performed by WSD as required under previous legislation:

- 1) develop an annual report;
- 2) convene and provide administrative support to an IDA council;
- 3) conduct monitoring reviews of programs and administrative processes including ensuring single audits are completed;
- 4) complete request for proposals for allocation of funds;
- 5) prepare statistical and program reports as requested.

The agency reports these administrative functions were absorbed through existing resources.

ALTERNATIVES

- 1) Since the appropriation supports the program by contributing funds that constitute the state match of the federal program, WSD states that the agency could serve as a pass through for the IDA appropriation with modifications made to the required administrative functions as follows: DWS administrative function would be limited to allocating the state general fund appropriation to the IDA program administrators with the remaining administrative functions performed by IDA program administrators who receive the state general fund; OR
- 2) The WSD requests an amendment to allow minimum of 10 percent of the grant to support administrative support.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Not enacting this bill decreases the funds available for the required state match.

KK/ds:jl