F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 2/20/07
SPONSOR HJC **LAST UPDATED** 3/1/07 **HB** CS/140/aHAFC

SHORT TITLE Family Opportunity Accounts Act Eligibility **SB**

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	$0.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Minimal	Minimal	Minimal	Recurring	Individual Development Account Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Office of Workforce Training and Development (OWTD)
New Mexico Higher Education Department (HED)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee Amendment strikes language that limits use of the account of an indigent child to attend school; therefore, making the restriction the same for all children. The amendment further requires a foster child or an indigent child complete high school or their GED before using an account, unless a program administrator has approved use for an allowable serious emergency.

Synopsis of Original Bill

House Judiciary Committee Substitute for House Bill 140 would make several changes to the current Family Opportunity Accounts Act (FOAA) Program:

- Re-name the program to the Individual Development Accounts (IDA) Program; and
- Lower the age under the definition of a child in foster care as an eligible individual from age 16 to 15.
- Add a Subsection (C) to Sec. 58-30-4, to read, "ELIGIBLE INDIVIDUALS, C. A child is an eligible individual if the child: (1) is at least fifteen years of age and not more than eighteen years of age; (2) is a member of a family whose members are all indigents;"
- Requires those serving on the individual development account council obtain subject matter expertise through attendance at conferences and workshops related to asset building strategies and the payment of per diem for attendance at meetings, conferences, and workshops.
- Restrict the uses of IDA funds for (C) above (15 – 18 year olds) to costs related to post-secondary education.
- Corrects gender specific language

FISCAL IMPLICATIONS

House Judiciary Committee Substitute for HB 140 contains no funding for the FOAA program. HAFC substitute for HB2 contains $250,000 for the FOAA program.

The original Act limits the funding for administrative costs to 5 percent of the individual development account fund. The 5 percent limit may be too limiting to properly administer the program. Most other states, allow for a 10 percent administrative cost. The ability to pay Individual development council members additional or per diem, as proposed in the bill, may be difficult to impossible given the 5 percent administrative cost limit. For FY08, given the HAFC appropriation of $250,000 for FOAA, the administrative allocation will be $12,500 to administer the program and pay per diem.

SIGNIFICANT ISSUES

House Judiciary Committee Substitute for House Bill 140 adds a new eligibility category; a child aged 13 to 18 who is born in New Mexico, is a citizen or legal resident of the United States, is a resident of New Mexico, and is a member of family whose members are all indigents. Prior to this, eligibility was limited to those aged 18 or older unless the participant was a foster child in which case eligibility was established at age 16 or older.

The new eligibility category, children aged 13 – 18 who are members of a family who is indigent, is restricted in another section of the bill on how the money from the account may be used. HB 140 limits the use of the money for children aged 13 – 18 to expenses to attend an approved post-secondary or vocational educational institution, and includes payment for tuition, books, supplies and equipment required for courses. This restriction does not apply to children in foster care aged 15 or older. It is unclear why indigent children accounts are restricted while foster children accounts are not.

OWTD issued an RFP in early FY07 to begin implementing the program. Currently, three contracts have been executed for more than $1.4 million under the program, and contractors have begun enrolling and have enrolled participants.

PERFORMANCE IMPLICATIONS

None identified at this time

ADMINISTRATIVE IMPLICATIONS

There is a minimal impact to OWTD to implement the eligibility changes. There may be an additional cost to pay per diem to the individual development account council for attendance at required meetings, authorized conferences and workshops. Currently, the Act only allows 5 percent of the individual development fund to be spent administratively, which creates a limited funding stream.

It is unclear if OWTD and/or the individual development fund will be required to pay for individual development account council members to become subject matter experts. The bill is proposing to pay per diem for attendance at a conference but it is unclear who pays for conference fees, courses, etc.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified at this time

TECHNICAL ISSUES

The bill proposes to expand an existing provision of law that provides that payments under the program may be made only through vouchers signed by the director. The proposed modification adds authorization for the director's designee to also sign vouchers. Under the DFA SHARE financial system, no signatures whatsoever are required on vouchers because SHARE vouchers are strictly electronic records and no hard-copy vouchers exist in the system. In addition, no electronic signatures exist for vouchers in SHARE. Thus the proposed expansion of the provision, and the provision itself, are invalid under the SHARE financial system.

OTHER SUBSTANTIVE ISSUES

House Judiciary Committee Substitute for House Bill 140 changes the age requirement for an eligible child from 13 to 15 years old and the age requirement for an eligible foster child from 16 to 15 years old. Also, language requiring an eligible foster child to have been born in New Mexico was removed.

ALTERNATIVES

Make the restriction on the use of the accounts the same for all children under the age of 18. The bill proposes to limit use of the accounts of an indigent child to attend school while foster children can use the accounts to purchase a home, car, start a business, go to school, etc.

DL/mt