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FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/08

SPONSOR Begaye LAST UPDATED _____ HB 408

SHORT TITLE Native American Financial Literacy Program SB _____

ANALYST Escudero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 408 appropriates \$100.0 from the general fund to the Indian Affairs Department (IAD) for culturally appropriate financial literacy training for teens and adults of the Ramah Chapter of the Navajo Nation.

FISCAL IMPLICATIONS

The appropriation of \$100.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY09 shall revert to the general fund.

SIGNIFICANT ISSUES

According to HED, the New Mexico Higher Education Departments (NMHED) analysis of this bill focuses on the higher education implications of the proposed legislation. Additional insight may be obtained from other departments analyses.

The New Mexico Ramah Chapter of the Navajo Nation seeks funding to conduct financial literacy training for teens and young adults. According to Focus Foundation, an organization conducting financial literacy training around New Mexico, there a number of money traps that young people can fall into without financial education. Financial education includes developing an understanding of how the economic world works and how best to deal with financial matters after high school. This legislation proposes to ensure the development of culturally appropriate financial literacy training to help teens and young adults from the Ramah Navajo communities make educated financial decisions on such things as credit, home buying, and general banking among other topics.

According to PED, in 2003 Congress established the **Financial Literacy and Education Commission (FLEC)** through the passage of the Financial Literacy and Education Improvement Act, which was created to "improve the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education." (<http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/commission/>)

The U.S. government has established the website, <http://www.MyMoney.gov> dedicated to teaching all Americans the basics about financial education. U.S. teens have enormous purchasing power but often lack the skills to manage resources well. <http://www.fcs.uga.edu/ext/econ/youth.php>

PERFORMANCE IMPLICATIONS

As stated by HED, HB408 does not indicate how performance outcomes will be measured. However, being part of the existing statewide ABE system would assure quality control and accountability for services offered. Annual ABE performance measures are negotiated with and reported to Office of Vocational and Adult Education at the U.S. Department of Education.

ADMINISTRATIVE IMPLICATIONS

As stated by HED, the Indian Affairs Department would be responsible for administering these funds. NMHED successfully administers a state allocation and a federal grant to operate ABE programs in New Mexico.

OTHER SUBSTANTIVE ISSUES

According to PED, if this bill is enacted the Ramah Chapter may need to communicate with the Navajo Nation and the Navajo Nation Department of Dine Education (DODE) regarding the hire of highly qualified financial teaching staff to meet the financial educational needs of their community.

Navajo Nation may also want to consider communicating with their tribal programs to identify common financial goals that can be utilized in this process.

As financial literacy leads to better outcomes for individual consumers and for our economy generally, continued effort in this area is highly desirable. Fortunately, given the current level of interest in improving financial literacy and education both in the United States and internationally, opportunities abound for cooperation and collaboration among public, private,

academic and community institutions. Advances in technology also offer great promise for improving the quality and delivery of financial information and for sharing of research and best practices among financial education providers.

<http://www.mtjumpstart.org/files/Bernankepressrelease.pdf>

ALTERNATIVES

As stated by HED, an alternative to appropriating HB408 funds to the Indian Affairs Department would be to flow the funding through NMHED and to take advantage of the existing ABE accountability and professional development systems. NMHED's Adult Basic Education (ABE) Division oversees programs around New Mexico that offer financial literacy instruction through various classes. ABE programs serve people 16 years and older whose skills are below a 12th grade equivalent. The NMHED ABE Division currently oversees four ABE programs offering services near Ramah Navajo communities: University of New Mexico-Gallup, New Mexico State University-Grants, Navajo Technical College, Yah-Ta-Hey Sage Lifelong Learning Center, and Tepeyac Consortium Inc. These programs are accountable to NMHED which has instituted a new state-of-the-art database, state-level policies, and fiscal procedures.

An additional alternative would be to seek non-state funding sources such as federal and private funding.

PME/bb