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FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/12

SPONSOR Taylor LAST UPDATED _____ HB 250

SHORT TITLE Individual Development Accounts SB _____

ANALYST Aledo-Sandoval

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	\$250.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY12	FY13	FY14	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		45.6	45.6	91.2	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Workforce Solutions Department (WSD)

SUMMARY

Synopsis of Bill

House Bill 250 appropriates \$250.0 thousand from the general fund to the Individual Development Fund for expenditure in FY13 and subsequent fiscal years. Any unexpended or unencumbered balance remaining at the end of a fiscal year will not revert to the general fund.

FISCAL IMPLICATIONS

The appropriation of \$250.0 thousand contained in this bill is a recurring expense to the general

fund. Any unexpended or unencumbered balance remaining at the end of FY13 will not revert to the general fund.

This program was funded through FY10. The Workforce Solutions Department is not currently administering this program.

According to WSD, the additional budget impact to startup, operate and manage the program would require 0.5 FTE effort along with 22.23% indirect costs and 30% cost center overhead.

- 1/2 of staff time = \$31,446
 - Indirect fair share costs at 22.23% = \$6,990
 - Cost Center Overhead at 30% = \$4,716
 - Required meetings: Council consists of the Governor and 8 appointed members to meet twice a year which equates to \$95.00 per diem x 9 members x 2 twice a year = \$1,710
 - Mileage estimated at 41c per mile: 9 travelers @ 100 miles 2 x per year = \$738
- TOTAL estimated costs = \$45,600 annually

This program was not in WSD's FY13 budget request.

SIGNIFICANT ISSUES

Individual Development Accounts (IDA) are a result of a federally-funded program that requires a non-federal match. The state appropriation supports the program by contributing funds that constitute this non-federal match. In the past the Workforce Solutions Department has been the administrator of the state appropriation to the entities that receive the federal funds for program administration. The Individual Development Account Act is administered by the Office of Workforce Training and Development (OWTD) at WSD. Individual Development Accounts are interest bearing savings accounts, in which deposits an individual or family makes is matched with a combination of public and private dollars. Individual Development Accounts support asset-building opportunities for low-income New Mexicans. The IDA's encourage working, low-income families, to save for education, home-ownership, and starting micro-enterprises.

The DFA states the Individual Development Fund has received general fund appropriations as follows:

- 2006 legislative session: \$1.5 million
- 2008 legislative session: \$250,000
- 2009 legislative session: \$250,000

As previously noted, the WSD is not currently administering this program and the Individual Development Account Council has not met since its last meeting on May 10, 2010.

ADMINISTRATIVE IMPLICATIONS

The Workforce Solutions Department states the following administrative functions were formerly performed by WSD staff: development of an annual report; convened and provided administrative support to an IDA council; conducted monitoring reviews of programs and

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administrative processes including ensuring single audits were completed; completed request for proposals for allocation of funds; prepared statistical and program reports as requested.

The Act allows the OWTD no more than 5% of the fund for administration. According to WSD, the administration was labor intensive and required a significant amount of staff time and engagement. The 5% cap for administrative support did not cover the cost of staff time devoted to this project.

MAS/lj