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## FISCAL IMPACT REPORT

SPONSOR Tallman ORIGINAL DATE 1/28/19  
 LAST UPDATED 3/11/19 HB \_\_\_\_\_

SHORT TITLE Individual Development Account Act Changes SB 95/aSPAC/aSFC

ANALYST Klunt

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

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		≤\$10.0	≤\$10.0	≤\$20.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Senate Bill 86 Senate Bill 94

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
 Workforce Solutions Department (WSD)

### SUMMARY

#### Synopsis of SFC amendment

The Senate Finance Committee (SFC) Amdnement to Senate Bill 95 strikes the \$500 thousand appropriation contained in the bill.

#### Synopsis of SPAC amendment

The Senate Public Affairs Committee amendment to Senate Bill 95 strikes “(5) individual development accounts;” from page 2, line 22 and page 3, line 22. The change does not alter the intent of the bill

#### Synopsis of Original Bill

Senate Bill 95 amends Section 27-2B-8 of NMSA 1978, Chapter 8, Section 8 and Laws 1998, Chapter 9 Section 8 relating to Public Assistance. Proposed amendments clarify that funds in an individual development account (IDA) shall not be considered in eligibility calculations for benefits under the New Mexico Works Act or the Education Works Act. It also adds definitions, establishes limits on administrative expenses to a program administrator under the act;

establishes qualifications for members of the Individual Development Account Council; establishes minimum state matching funds and expands the allowable uses for IDAs. Finally, it expands the type of account to which funds of an IDA may be transferred and lists the means-tested programs for which account funds are disregarded for purposes of eligibility.

The bill appropriates \$500 thousand from the general fund to the Workforce Solutions Department (WSD) to the individual development fund for expenditure in fiscal year 2020 and subsequent fiscal years to carry out the purposes of the individual development fund. Any unexpended or unencumbered balance remaining at the end of the fiscal year shall not revert to the general fund.

In addition, WSD shall use no more than 5 percent of the money appropriated to the Individual Development Account Act to administer that act, including the costs of the program administrator. Furthermore, a program administrator shall use no more than 12 percent of the funds allocated to the program for implementation and administration of the program.

### **FISCAL IMPLICATIONS**

The appropriation of \$500 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

WSD would be granted 5 percent to administer the program and the program administrator(s) contracted by WSD would be granted a separate 12 percent of the funds awarded. Total amount of WSD administration from this appropriation would result in \$25 thousand. Under this bill WSD would promulgate rules to administer the act, support the individual development account council, approve account programs, monitor programs, issue requests for proposals seeking interested administrators and programs, contract with program administrators, approve programs, and perform the necessary reporting requirements. The agency is concerned the amount needed for administration would be greater than \$25 thousand to employ a qualified staff member at .5 FTE and administer the program with the necessary fiscal oversight. In FY19, the average cost for FTE at WSD is \$64.6 thousand, for the part time FTE this would be \$32.3 thousand.

### **SIGNIFICANT ISSUES**

Individual Development Accounts (IDA) originate out of a federally funded program that requires a non-federal match. This state appropriation supports the program by contributing funds that 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. Saved 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 has served as the administrator of the state appropriation to the entities that receive the federal funds for program administration in the past but was only able to use 5 percent of total funds for administrative costs. The administration was labor intensive and required a significant amount of staff time and engagement to assure compliance with the Act, including coordination of the Individual Development Account Council, capacity building and development of local organizations responsible for disbursing IDA funds and activities statewide, general marketing and education, coaching, guidance, fiscal oversight, management and reporting.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Senate Bill 86 appropriates \$500 thousand from the general fund to the Workforce Solutions Department (WSD) to carry out provisions of the Individual Development Account Act. Any unexpended or unencumbered balance remaining at the end of FY20 shall not revert to the general fund.

Senate Bill 94 appropriates \$500 thousand from the general fund to the Workforce Solutions Department (WSD) to carry out provisions of the Individual Development Account Act. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund.

### **ALTERNATIVES**

WSD proposed the following alternatives:

- 1) Since the appropriation supports the program by contributing funds that constitute the non-federal match of the federal program, WSD could serve as a pass through for the IDA appropriation with modifications made to the required administrative functions as follows: WSD administrative function would be limited to allocating the state general fund appropriation to the IDA program administrators with the remaining administrative functions (outlined above under “administrative implications” passed on to the IDA program administrators that receive the state general fund); OR
- 2) Allow a minimum of 10 percent of the grant to fund a .5 FTE to support required administrative and program functions.