

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, January 12, 2022
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS: Senators Co-chairman Agenbroad, Crabtree, VanOrden (Bair), Grow, Woodward, Lent, Riggs, Cook, Ward-Engelking, Nye
Representatives Co-chairman Youngblood, Troy, Horman, Amador, Syme, Bundy, Giddings, Nate, Green, Nash
**ABSENT/
EXCUSED:** None

Co-chairman Youngblood called the meeting to order at 7:59 a.m.

Mr. Keith Bybee, Division Manager, LSO Budget & Policy Analysis, stated the 2022 General Fund cash reconciliation is the basis for the Governor's proposed budget. Idaho exceeded revenue projections by a 3.2% increase over FY 2021. The Governor's proposed FY2022-FY2023 budget of \$6.12 billion is based on these new revenue projections. Mr. Bybee stressed the structural balance of this budget proposal, which means that ongoing revenues will pay for ongoing programs. The proposed budget is not using one-time payments to fund ongoing programs.

Mr. Bybee reviewed a list of General Fund Transfers for FY 2022. In response to committee questions, he will provide an itemized list of all projects to be funded by transfers to the Permanent Building Fund.

In answer to committee questions regarding the Governor's budget presented in the State of the State address, **Mr. Bybee** explained the increase was due to the new revenue forecast and the new revenue cash flow overage from December 2021. In answer to further questions, Mr. Bybee responded that sometimes a project takes longer than one fiscal year; by using a transfer, an agency has surety it will have the funds to manage long-term projects. Using direct spending or direct appropriations would require specific appropriations and carryovers for the following year, as well as other obligations on the General Fund.

Mr. Adams, DFM, Governor's Office, added that transfers get made to dedicated accounts because those projects might span several years; by putting the funds in a dedicated account, the agency has the ability to manage projects across fiscal years to completion. The designated money is not subject to end-of-year reversion to the General Fund. Spending out of dedicated accounts gets tracked in the dedicated account's budget.

Mr. Rob Sepich, Senior Analyst, LSO Budget & Policy Analysis, noted FY 2021 has three deficiency warrants and 104 recommended or requested supplemental appropriations. He advised the committee they can find more information about a particular supplemental appropriation to an agency in the Legislative Budget Book.

Mr. Sepich explained Deficiency Warrants are expenditures authorized under Idaho Code, where appropriations are not made until after the expenditure amount is known. Mr. Sepich explained Supplemental Appropriations are mid-year adjustments to the current fiscal year budget. These supplemental appropriations can include transfers, fund changes, movement between account classes, rescissions or additional language or instructions that the legislature chooses to include for agencies.

Mr. Sepich reviewed JFAC Rule 13 and cited the Idaho Constitution, Section 22, Article III. Supplemental appropriations are for emergencies; they are not a second attempt at an appropriation within a different budget cycle. Agencies may be present to answer questions about the supplemental appropriations, but it is not a budget hearing; the supplemental is addressing the emergency. The Legislature defines what constitutes an emergency.

Ms. April Renfro, Division Manager, LSO Audits, noted the LSO Audits office finished their peer review in October 2021. This Peer Review happens every three years; the nationwide program reviews the state's system of quality control and provides an opinion on whether the state's audit process is suitably designed and was complied with during the period under review. Idaho received the highest rating of pass for the 2021 Peer Review. A copy of the report is available on the LSO website, as required by Government Auditing Standards.

In the 2021 legislative session, Idaho Code was amended to move the Local Government Registry to the Office of the State Controller. The Audit Division has been working with the State Controller's Office to transition the Local Government Registry to that office. The State Controller's Office is now responsible for maintaining the registry database and communicating with the entities, the State Tax Commission, and the County Commissioners to impose any penalties and ensure compliance as required.

The 2020 Report on Implementation of Audit Recommendations is in process and should be issued by the end of the month. As of December 2021, the state Audit Division has issued 108 findings in 92 reports for FY 2018-2020; 47 of those findings have not been fully corrected.

Mr. Alex Adams, Administrator, Office of the Governor, Division of Financial Management, explained Idaho is an outlier among the US because it received some of the lowest per-capita money through Covid-19 relief funds. The state government did not receive the often cited \$18B in covid relief funds. That number includes economic impact payments, or stimulus checks, to individuals and small business support. Today's discussion focuses on discretionary funds to state and local governments, or "direct aid to states."

Direct funds to state agencies are funds for specific programs; the state cannot use those funds for different purposes. Those funds are built into individual agency budgets; they are marked as ARPA Direct Funds so the funds can be tracked.

Governor Brad Little used the guidance in **S 1204** to make long-range investments that will benefit the children and grandchildren of Idahoans. State agencies receiving ARPA funds should plan for the reduction of these federal funds to avoid creating ongoing obligations that are shifted to the General Fund. Lastly, the use of ARPA funds should not impede or inhibit the state's Constitutional mandate to provide for a balanced budget. ARPA funds should be used to lower the state's capital costs and deferred maintenance costs in the years ahead to the extent permissible. ARPA funds should not duplicate other federal programs.

The US Treasury states funds must be obligated by 12/31/2024, and those projects must be completed by 12/31/2026. The Governor proposes obligating funds now for large projects (like state water projects), then making allocations that carry over for a certain period of time.

Mr. Adams reviewed the proposals for the Health and Human Services. The current suicide prevention hotline does not have the capacity to deploy mobile response teams. This proposal would set up that capacity, and the base budget of the Health & Welfare Department would carry on the program over time. The governor proposes startup grants for three community-based behavioral health clinics throughout the state. These appropriations will increase access to integrated care and provide necessary 24/7 treatment; the clinics would bill traditional insurance, including Medicare/Medicaid, to sustain operations. Mr. Adams further explained that formerly, the state has been piecemealing funding for Recovery Center operations; the governor proposes using ARPA money to fund those operations for the next three years, then use future opioid settlements as a future funding source. In response to committee questions, Mr. Adams clarified these are existing Recovery Centers, servicing adults with substance use disorders.

Mr. Adams explained the funding parameters for the ARPA Capital Projects Funds are much tighter. The projects must be generally broadband-related. The Governor based his recommendations on feedback from the legislature-created broadband advisory board. The Governor proposes fiber projects or fixed wireless projects that will improve internet access throughout the state of Idaho. The governor also proposes to expand the Community Telehealth program to other rural Idaho libraries; this will allow a minimum of 23 rural Idaho communities to offer telehealth services in a private setting at their libraries.

Mr. Adams explained the parameters for IJJA funds; these are direct funds for specific programs, usually existing state programs. There are specific codes in the LBB to identify the specific IJJA items built into the agency budgets. There are some state match requirements to access federal funds. The original proposal used ARPA funds for the required state match money. Per the final ARPA rules published 1/6/2022, states cannot use ARPA funds as IJJA matching funds.

In response to committee questions, **Mr. Adams** stated the current LBB has a specific callout for ARPA, so it can be tracked at the aggregate level.

In answer to questions regarding the \$50 million for childcare infrastructure being different from the previous funds released to keep childcare businesses going during the fluctuating covid period, **Mr. Adams** responded that the direct dollars coming from ARPA will go to the Department of Health and Welfare and are intended to sustain existing operations.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:24 a.m.

Representative Youngblood
Chair

Alyson Jackson
Secretary