

MINUTES
Approved by the Committee
Federalism Subcommittee on Health and Welfare
Tuesday, November 05, 2019
9:30 A.M.
Room EW41
Boise, Idaho

Co-chair Harris called the Federalism Subcommittee on Health and Welfare meeting to order at 9:36 a.m.; a silent roll call was taken.

Committee members in attendance: Co-chair Mark Harris and Co-chair Megan Blanksma; Senators Mary Souza, Abby Lee, and David Nelson; and Representatives John Vander Woude and Laurie Lickley. Legislative Services Office (LSO) staff present: Elizabeth Bowen and Ana Lara.

Other attendees: Tammy Perkins - Capital City Consulting; Luke Kilcup - Lobby Idaho LLC; Brian Whitlock - Idaho Hospital Association; Brody Aston - Westerberg Associates; and Jennifer McClelland - Dept. of Insurance.

Opening Remarks

Co-chair Harris called for the approval of the October 7, 2019, minutes. Senator Lee made a motion to approve the October 7, 2019, minutes. Representative Vander Woude seconded the motion. The motion passed by voice vote.

Process for Applying, Receiving, and Expending Federal Funds - Jared Tatro, Principal Budget and Policy Analyst, LSO, and Sara Stover, Senior Financial Management Analyst, Division of Financial Management (DFM)

Co-chair Harris called upon Ms. Stover to begin her presentation. Ms. Stover stated that agencies are required to submit a grant application to DFM before applying for any competitive grant. The grant application requires information on what the grant is, what the grant's state contribution might look like, what the grant is intended to accomplish, who the granting authority is, the grant's time period, and who would be impacted by the grant. She explained that DFM works with the agency to verify whether it aligns with the agency's mission, to determine other agencies' involvement, and to determine with it aligns with the state of Idaho's values. She said that if all the criteria is met, DFM then determines whether the agency has the spending authority within its agency or whether an appropriation adjustment might be needed if the agency is successful in obtaining the federal grant.

Ms. Stover stated that DFM has the ability to provide temporary spending authority to agencies in the event that they have received new nonstate funds that exceed the spending authority that was set by the appropriation process. She said that this process is called the approval of non-cognizable funds; the agency has the opportunity to submit an application to DFM to review the request to temporarily increase its spending authority until the Legislature has the opportunity to review this request through the appropriation process. She explained that DFM's review of this application is similar to the review for a grant's application. She stated that the last step in the review process is to determine whether the agency has adequate spending authority within its budget.

Mr. Tatro briefly summarized the roles of the Legislature in the federal fund appropriation process from the [handout](#). He stated that, during the appropriations discussions, the Joint Finance-Appropriations Committee (JFAC) will learn whether the agency has sufficient federal fund appropriations, any cognizable requests, and whether the agency has excess federal funds appropriation beyond what its revenue might be. He said that at the end of these discussions, JFAC may make a motion to approve a specific dollar amount of federal fund appropriation to cover the federal grant or federal fund needs. He noted that the appropriation bill would then include this dollar amount as a separate item, which wouldn't delineate the appropriation to specific grants or

purposes unless additional language is added to make this clarification or to require reporting requirements to better understand the use of the funds.

Mr. Tatro clarified that, per the budget manual, agencies are expected to report when a grant ends and when the federal appropriation is no longer needed. He explained that this is not consistently applied and therefore appropriations are not usually reduced to reflect lost federal funding, or JFAC may not learn about grants that have expired until after, or during, the budget process.

Mr. Tatro proceeded to summarize the federal grant terminology from the [handout](#). He suggested that this terminology would be helpful when reviewing the Dept. of Health and Welfare (DHW) [Federal Funds Inventory Form](#) for FY2021. He noted that some grants do not require JFAC appropriations because the agency is the custodian of the grant (e.g., Supplemental Nutrition Assistance Program). He explained that this form is intended to provide information to the Legislature and governor about every federal grant in the state of Idaho, and every agency's federal fund inventory form can be found on DFM's website.

Discussion

Representative Vander Woude asked whether reviews are conducted to determine whether the grants' goals were accomplished. Ms. Stover responded that any reviews by the state are done on a specified basis (e.g., SHIP grant). She added that there is a fair amount of reporting required on the federal level. She further explained that while the state does not have a set requirement in place for reporting on federal grants to DFM, there have been times that a specific grant triggered reporting requirements to either DFM or to both DFM and the Legislature.

Representative Vander Woude asked whether a grant requiring state matching funds would prompt a review by the state. Ms. Stover could not provide an example of when state matching funds would be required outside of in-kind state participation. Ms. Stover responded that, generally speaking, DFM does not have state appropriation requirements for the grants that they approve.

Co-chair Harris asked whether non-cognizable funds were common. Ms. Stover responded that they receive a few every year.

Representative Blanksma asked whether the grants fund the employees who administer the grants or whether the state pays for the employment of these employees. Ms. Stover responded that both scenarios take place. She explained that some grants call for the employment of a limited service employee whose pay is funded through the duration of the grant and other times the state provides the employee who administers the grant as part of the employee's work functions.

Senator Souza asked Mr. Tatro whether it would be beneficial to require agencies to report to the Legislature when a federal grant is no longer being used. Mr. Tatro responded that the requirement could be beneficial, but it could also extend the six-week budget hearing process time frame considerably for JFAC if it is required to discuss multiple grants. He explained that it may be difficult to distinguish whether grants that have different phases qualify as a new grant or a continuation of the same grant. He clarified that some grants are a continuation of the same grant, but separated in phases due to new findings and slightly improved requirements. Senator Souza clarified that her question was specifically regarding grants that had not been used in the state for some time.

Representative Lickley asked whether there is a list of federal grants that have expired within the last decade and the state of Idaho then chose to absorb into its state budget. Mr. Tatro and Ms. Stover were not aware of any list. She explained that the state's federal grant application requires the agency to provide some type of attestation for why general funds will not be needed at the termination of the grant. Mr. Tatro stated that sometimes, at the end of a federal grant (e.g., SHIP grant) or due to a reduction of a grant, the agency will present JFAC with a request for additional funds to continue the program.

Representative Vander Woude asked whether enough careful examination is provided to programs that are funded with dedicated funds. Mr. Tatro responded that, generally, requests for general funds are reviewed most extensively, followed by dedicated funds, followed by federal funds. He noted that the legislators on JFAC work diligently to review all requests regardless of the funding source, and many JFAC members have expressed an interest in reviewing dedicated funds and federal funds more closely.

Senator Lee asked how better foresight could be achieved to predict which federal grants might precipitate a request for general funds at their termination. Mr. Tatro responded that he would need time to study this question but stated that reliance on budget analysts and DFM analysts to ask this question from the agencies is paramount, as is the expectation from agencies to look at federal grants requests with an eye to the future.

Senator Souza suggested that it might be helpful to have standard language in bills with federal grant appropriations stating that if there is a requirement for state matching funds in the future, then it would trigger a review by JFAC. Mr. Tatro believed that this was part of the Legislature's intent when it passed Section 67-1917, Idaho Code, in 2015, that required the Federal Fund Inventory Form. He added that the Legislature could certainly require this language in Idaho Code, or JFAC could choose to adopt this requirement in the appropriation bills.

Senator Souza inquired about the Federal Medical Assistance Percentage (FMAP) for Medicaid match rate. Mr. Tatro responded that the federal government compares Idaho's personal income to other states to determine the rate. He explained that even if Idaho's personal income increases, but does not increase at the same level as other states, the FMAP match rate may not necessarily increase.

Co-chair Blanksma referred to Chapter 19, Title 67, Idaho Code, and asked whether it was accurate to state that there is no statutory requirement that any agency that is required to have a state match report this information on the form. Mr. Tatro responded in the affirmative. Co-chair Blanksma asked whether it would be beneficial to make this a statutory requirement. Mr. Tatro responded that it is within the purview of the Legislature to make this statutory change and that it could be beneficial. He noted that this requirement could instead be made in the budget development manual if both DFM and LSO agreed that it would be beneficial to the Legislature and the governor; this would not require a statutory change. Representative Blanksma noted that Section 67-1917, Idaho Code, requires that the reports only be submitted to DFM. Mr. Tatro explained that while there was no statutory requirement for the forms to be submitted to LSO, the budget development manual required that the forms be submitted to both DFM and LSO.

Co-chair Harris inquired about federal grants that are provided to states without the states necessarily making a request for them. Mr. Tatro explained that these were called mandatory grants and referenced the opioid grant provided by the federal government as an example of a grant that was not requested by the state. He stated that while these were mandatory grants, the state could choose to not spend the funds.

Representative Vander Woude referenced the ACA Personal Responsibility Education Program grant and inquired about grants that had not expended all the funds in the fiscal year but had a larger fund amount available for the following fiscal year. Mr. Tatro deferred to DHW to address this specific grant. He explained that, with regard to expenditures, a variety of factors could account for this. He suggested that it could be an issue with timing, given that the federal fiscal year time frame and the state fiscal year time frame are different. He further explained that some grants are multiyear grants, and expenditures may be minimal during the beginning of the grant due to the need to first create the program and organize staff.

Representative Vander Woude inquired about the length of the ACA Personal Responsibility Education Program grant given that the form states that the program was extended until September 30, 2017. Ms. Lisa Hettinger, deputy director of Medicaid, Behavioral Health, and Managed Care services for DHW, believed that the program was extended further but DHW has not updated the

notes. Representative Vander Woude asked about the time period of the grant. Ms. Hettinger was unsure whether the grant was an annual recalculation grant or a biannual recalculation grant. She commented that when a state does not expend all the federal funds during the period of the grant, it often results in a decrease of federal funds offered to the state in the next cycle. Co-chair Harris inquired about what happens to the federal funds that are not expended within the cycle. Ms. Hettinger responded that since it is a multiyear grant, the federal funds stay within the grant allocation.

Co-chair Blanksma inquired whether there was a tracking mechanism for state employee positions that are created to administer grant programs and are retained even after the termination of the grant. Mr. Tatro explained that an agency has the discretion to repurpose an existing position, given that the appropriation is not tied to a specific job position. He further explained that when the grant ends, the agency must determine whether they can find another role for the employee to fill. He added that it was possible that the employee was both performing his regular job duties and also administering the grant and returned to his regular job responsibilities at the end of the grant. He elaborated that the full-time position (FTP) authorization and the appropriated dollars, unless put in-kind where they are required to come back out, would stay within the base and the agency would have to either ask for a reduction or use the appropriation for a different purpose if it so chose. He suggested that this would be difficult unless one was to track a specific person.

Co-chair Blanksma asked whether it was accurate to state that an agency could continue to grow even after a grant has ended because there is no method in place to track the positions that administer the grant programs. Mr. Tatro responded maybe. He explained that FTPs authorization is only as useful as the appropriation provided; an agency can only fill so many FTPs with the revenue it has been given. Senator Lee commented that JFAC has challenged DHW to use its existing available funding (given its significant employment vacancy) instead of providing additional FTPs.

Representative Vander Woude inquired what changes would occur to the current structure for grant applications if the federal government was to provide block grants to states. Mr. Tatro responded that it would depend on how the federal government set up the block grant.

Committee Discussion

Co-chair Harris opened up the meeting to committee discussion.

Representative Vander Woude stated that it was not his intent to remove the budget process from JFAC and suggested that this committee could provide additional information and input to JFAC to better inform their decisions. He noted that this committee could provide an opportunity to better understand how federal dollars are being spent and reminded the committee that federal dollars are also taxpayers dollars.

Co-chair Blanksma noted that federal grant dollars come with significant regulations on how the funding can be spent. She suggested that it may be prudent to utilize state dollars rather than accept federal dollars; this would provide the state with the ability to retain control on how the dollars are spent and what regulations are put in place. She suggested that the committee should find a method to review federal programs to better understand what funds are accepted and whether the regulations are in line with the state's policies.

Senator Souza asked whether there was some desire to pinpoint the grants that have the most impact and review the history of the grants, how they are utilized in Idaho, and whether any adjustments should be made. She also inquired about the general mission of the committee in light of what the members had learned. Co-chair Harris responded that the committee had requested information first before it determined what direction it should proceed. He explained that the members were still awaiting further information regarding state matching funds and cooperative agreements, but believed that they would have a better idea regarding how to proceed once they have reviewed this information. Co-chair Blanksma concurred.

Senator Lee suggested that it would be beneficial to change the culture and ask agencies questions regarding federal requirements and how much discretion states actually have with regard to the federal programs. She noted that oftentimes agencies find that the state has more discretion and flexibility than the agency realizes.

Closing Remarks

Co-chair Harris thanked Mr. Tatro and Ms. Stover for their presentations and the information provided. He also thanked LSO staff and the committee members. He asked when the state match funds information would be available. Mr. Tatro responded next week. After some discussion, the committee selected December 5th for its next committee meeting date. Senator Lee and Senator Souza commented that they planned to have a half-day meeting for the Child Protection Legislative Oversight Committee meeting on the same day but at a different time, given the overlap in committee membership.

The committee adjourned at 11:00 a.m.