



IDAHO LEGISLATURE

FINANCE - APPROPRIATIONS

WORKING GROUP REPORT

August 11, 2020

By: Co-chairs Senator Bair (Senate Finance) and Representative Youngblood (House Appropriations)

Working Group Charge

The working group, composed of membership from the Senate Finance Committee and House Appropriations Committee, was convened to consider the following:

- Management of unusually large amounts of non-cognizable funding received by the state, such as funds recently received under the federal CARES Act.
- When reviewing the non-cognizable process, the working group should also consider:
 - the health and safety of the public,
 - urgency in expending the funds,
 - transparency of the transactions, and
 - the Legislature's role in the process.

Membership

Senator Steve Bair, Co-chair

Senator Dan Johnson

Senator Abby Lee

Senator Jeff Agenbroad

Senator Carl Crabtree

Senator Van Burtenshaw

Senator C. Scott Grow

Senator Jim Woodward

Senator Janie Ward-Engelking

Senator Mark Nye

Rep. Rick Youngblood, Co-Chair

Representative Wendy Horman

Representative Neil Anderson

Representative Clark Kauffman

Representative Caroline Nilsson-Troy

Representative Paul Amador

Representative Scott Syme

Representative Britt Raybould

Representative Melissa Wintrow

Representative Sally Toone

LSO Staff Present: Paul Headlee, Jared Tatro, Lindsey Youtz, Jennifer Kish, and Soren Jacobsen

Roll Call: Senators Bair, Johnson, Lee, Agenbroad, Crabtree, Burtenshaw, Grow, Woodward, Nye. Representatives Youngblood, Horman, Anderson, Kauffman, Troy, Amador, Syme, Raybould, Toone.

Absent: Senator Ward-Engelking, Representative Wintrow

Finance-Appropriations Working Group Report, August 11, 2020

Meeting

On August 11, 2020, the working group met via video teleconference at 1:00 PM. Only the Co-chairs and staff were present in the Statehouse (EW42). At its meeting, the working group discussed its charge and received presentations from Paul Headlee, Manager, Legislative Services Office, Budget & Policy Analysis; and Alex Adams, Administrator, Division of Financial Management.

Information from Mr. Headlee included:

- Adjustments to fixed budgets, specifically the non-cognizable process, §67-3516(2), IC
- The three-part test for an agency to spend non-cognizable funding:
 - Must be federal or private funding
 - Must not have been known when appropriations were made
 - Must have approval of the Division of Financial Management and the Board of Examiners
- Attorney General legal guidance from 1992
- Flowchart of the non-cognizable process
- An 18-year history of non-cognizable expenditures from FY 2002 to FY 2019. Average of \$47 million per year (\$40 million per year with two outliers removed).
- FY 2020 non-cog information that included CARES Act funding, reversions, and actual expenditures

Information from Mr. Adams included:

- Details on the CARES Act that was signed into law March 27, 2020
- Funding included \$1.25 billion through the Coronavirus Relief Fund (CRF) and >\$300 million through dozens of pass-through programs
- The Coronavirus Financial Advisory Committee (CFAC) actions
- Demonstrated the numerous steps in the DFM application process used by state agencies pursuing non-cog funding
- The requirement of agencies to have an exit strategy (strategy for non-reliance on the federal funding) when the federal funds expire
- DFM and Board of Examiners approval processes
- Practical considerations of the non-cog process and CARES Act funding, including:
 - March 27 law signed, but funding not received until April 17
 - Six iterations of spending guidance issued by US Treasury Department between May 4 and July 31
 - Additional federal funding being considered by Congress
 - The State serves as the prime recipient of funds for local governments

Committee members asked numerous questions during each presentation regarding the non-cognizable process in general, approvals, delegation of approval by the Board of Examiners to the State Controller's Division of Statewide Accounting, historical expenditures, communication between DFM and LSO, CARES Act funding (FY 2020 reversions and FY 2021 non-cogs), and emergency declarations.

Public testimony was included on the agenda, but no one from the public signed up.

It was discussed to follow-up and address in more detail several possible legislative changes to this topic at the scheduled October fall JFAC meeting.

The meeting concluded at 2:50 PM.