

MINUTES
(Subject to Approval by the Committee)
Expenditure of ARPA Funds
Thursday, July 29, 2021
10:00 A.M.
State Capitol EW42
Boise, Idaho

Cochair Winder called the meeting to order at 10:03 a.m.; a silent roll call was requested.

Members present: Cochair Pro Tem Chuck Winder and Cochair Speaker Scott Bedke, Senator Jeff Agenbroad; Representatives Rick Youngblood, Jason Monks and Megan Blanksma; (via video conference) Senators Kelly Anthon, Michelle Stennett and Steve Bair; Representative Mike Moyle. Legislative Services Office (LSO) staff: Paul Headlee, Kristin Ford, Jennifer Kish, and Julie Cooper.

Attendance of audience members was not recorded.

NOTE: Presentations and materials distributed to members are posted to the Legislature's website: <https://legislature.idaho.gov/sessioninfo/2021/interim/arpa> ; and copies of those items are on file with the Legislative Services Office located in the State Capitol.

Cochair Bedke introduced House Concurrent Resolution No. 19, which creates a legislative committee to undertake and complete a study of the expenditure of certain American Rescue Plan Act (ARPA) of 2021 funds. Cochair Bedke thanked the Legislative Services staff for their work conducting the research and compiling the information for this meeting. Cochair Bedke then introduced LSO Budget Division Manager Paul Headlee to begin his presentation.

Mr. Headlee provided a brief overview of the agenda items and the presentation checklist for the meeting. Mr. Headlee began an overview of the updated review of ARPA (updated July 13, 2021). Mr. Headlee directed the committee to the Table of Contents of the report and emphasized that the report is divided into two parts: Part 1 of the report is a detailing of the 54 programs at this time for which there are specified dollar amounts or sufficient federal guidance to consider an appropriation for FY2022 or beyond. In Part 2, the report provides descriptions of ARPA provisions that will not flow through the state treasury or need an appropriation, but may still be of interest. Appropriation of funding by the Idaho Legislature is required for the State Fiscal Recovery Fund, the Capital Projects Fund, and the funding distributed by the state to the 191 non-entitlement units (cities and towns with populations under 50,000). The US Treasury will distribute funding directly to Idaho's nine metropolitan cities and 44 counties and, therefore, no legislative action is required for that funding. Mr. Headlee informed the committee that he would be discussing these programs in further detail.

Mr. Headlee provided additional information related to **Program 1, The State Fiscal and Recovery Fund (1.1 Billion)** and emphasized that the use of the funds must fall within one or more of the four categories (A-D). Within the categories there is some discretion and flexibility on how the funds may be spent. Cochair Bedke asked if there is a dollar amount or percentage assigned to each category. Mr. Headlee clarified that there are no limits or cap for the categories and the funds could be spent in any dollar amount . Representative Monks asked if Category B, related to premium pay, would be available to Department of Correction employees. Mr. Headlee stated this would be allowable if the department can demonstrate that the majority of the employees' work is mitigating the pandemic. As a follow-up question, Senator Anthon inquired if the funds could be used as back pay. Mr. Headlee responded that, as he understands it, for government services it applies back to March 3rd. However, other nongovernmental workers may be able to go back to an earlier date.

Mr. Headlee directed the committee to the last subcategory of Program 1 - Category D, which pertains to making necessary investments in water, sewer, or broadband infrastructure. Mr. Headlee

explained that the guidance recommends the projects be aligned with the Environment Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF). Mr. Headlee highlighted that the US Treasury did accept public comments on four questions related to water and sewers project categories. Governor Little submitted comments on June 9, 2021, that addressed these four questions and they are included in Appendix B of the Update Review of the American Rescue Plan Act of 2021. Cochair Bedke asked Mr. Headlee to confirm that the \$1.1 billion from the State Fiscal Recovery Fund covers all four categories (A-D). Mr. Headlee confirmed the \$1.1 billion applies to all four categories and reiterated that the only money that has been appropriated of the \$1.1 billion, is \$50 million to the Department of Financial Management to address any unknown or unforeseen COVID issues. Cochair Bedke further inquired if there is a timetable for when projects need to be submitted for the money to be allocated. Mr. Headlee informed the committee that the State Fiscal Recovery funds must be obligated by December 31, 2024, and expended by December 31, 2026.

Cochair Winder asked if there is a prioritization list of projects regarding clean water or waste treatment that may qualify for funds. Mr. Headlee explained that the Department of Financial Management has requested agencies to submit projects that meet criteria by August 6, 2021. Mr. Headlee added that he is not aware of a list, but referred further questions regarding priority lists to the Department of Environmental Quality (DEQ) Director Jess Byrne. Director Byrne confirmed that there are existing lists with projects that are received on an annual basis. The department then ranks the requests by established criteria. The department also ranks requests received for planning grants. Director Byrne informed the committee that the department is unable to approve many of the requests due to the lack of funding. Mr. Byrne added that the department has been working closely with the Association of Idaho Cities and the Idaho Rural Water Association to better determine potential projects and funding needs in advance. Representative Blanksma asked Mr. Headlee if the Legislature is precluded from giving funds to other agencies or if needs to go directly to DEQ. Mr. Headlee replied that the Legislature is not precluded from giving funds to other agencies. Representative Monks reiterated that there are a lot more requests to DEQ than available funding and inquired as to whether local funds could be used for these projects. Mr. Headlee confirmed that local funds may be used and that the guidance that applies to State Fiscal Recovery funds pertains to Local Fiscal Recovery funds.

Cochair Bedke inquired whether there could be some type of revolving fund for DEQ. Mr. Headlee stated that he believes the funds may be added the State Revolving Fund. Representative Agenbroad asked if the interest earned would stay in the fund and Mr. Headlee confirmed that both the principal and interest stay in the fund. Cochair Winder added that it was recently announced that Idaho will receive additional funding for broadband infrastructure and he is curious if this could cause a "doubling up" of funds. Mr. Headlee confirmed that yes, it may actually cause a tripling of the funds. Mr. Headlee said that he would provide the committee with a total of this amount following the meeting. Representative Blanksma asked if private agencies are precluded and Mr. Headlee stated that the guidance does not preclude, but actually encourages private agencies to receive funding.

Mr. Headlee referred the committee to **Program 2, the Capital Projects Fund** (page 12 of the ARPA report). Mr. Headlee informed the committee that this fund places emphasis on connectivity. Cochair Winder inquired as to what type of projects would qualify for these funds. Mr. Headlee stated the focus of this fund would be on connectivity and reducing case load. Representative Blanksma asked if the funds may be used for a residency program. Mr. Headlee responded that he will do some research before he confirms, but it may be possible.

Mr. Headlee directed the committee to **Program 3, the Local Fiscal Recovery Fund** (page 13 of the ARPA report). Mr. Headlee explained that expenditure of this fund is underway. Representative Monks inquired if there will be guidance on whether these funds may be used for tax recovery or relief. Mr. Headlee was not able to confirm, but he will ask the question and provide that information to the committee.

Mr. Headlee referred the committee to **Programs 4 - 54** (page 15-38 of the ARPA report). Senator Stennett asked how well funding availability has been communicated to the agencies. Senator Stennett emphasized that the end users need to have this information. Mr. Headlee stated that he could not speak to how much advertising is done, but he is aware the courts direct individuals facing eviction to the Idaho Housing and Finance Association for possible funds.

Mr. Headlee completed his review of the ARPA report and directed the committee to the second item on the Presentation Checklist, **Legislative Action on ARPA Funding**. Mr. Headlee reviewed the Tracking Spreadsheet - Table 1, which illustrates ARPA programs with specified funding amounts requiring legislative appropriation. Currently \$780 million has been appropriated and \$2.56 billion is available.

Mr. Headlee provided the committee the results of research conducted by budget analyst Max Flom regarding how other states are approaching ARPA funding. Mr. Headlee highlighted that Utah is creating "pots of funds" and Kentucky appropriated funds from the Capital Project funds. Mr. Headlee distributed an additional handout related to the Capital Projects Fund. Cochair Bedke referred to the state of Utah and asked if they found a way to put money in unemployment insurance and essentially reduce taxes. Mr. Headlee confirmed that this is his understanding.

Mr. Headlee next discussed the possible options for Idaho regarding ARPA. Mr. Headlee highlighted the timeline shown for each program in the LSO report. Specifically, Mr. Headlee reiterated that the State Fiscal and Recovery funds, Program 1 (\$1.1 million) should be obligated by December 31, 2024, and expended by December 31, 2026. Idaho could potentially use the current budget process or implement an ad hoc approach. With the current budget process, agency budget submissions are due September 1, 2021. This would apply to the State Fiscal and Recovery funds (Program #1 and #2) and Grant Program Requests (Programs #4 through #54). JFAC would review the budget submissions October 19-21, 2021, and the Governor's recommendations at the beginning of the 2022 session. Funds would be appropriated during the 2022 session.

Mr. Headlee discussed the possibility of prioritizing decisions based on categories of funding, partnerships and collaboration and require matching funds (if allowed). Another option for Idaho is to use an ad hoc approach, which may entail forming workgroups aligned with federal guidance. Groups may review agency budget submission for water, sewer, broadband, and all other ARPA programs. In addition, work groups may make recommendations regarding categories of funding partnerships and collaboration and require matching funds (if allowable). Under the ad hoc approach, there would be the potential to use the existing boards, committees, and resources.

Mr. Headlee completed his presentation and stood for questions. Cochair Winder thanked Mr. Headlee for all his work and thorough information. Mr. Headlee emphasized that questions may be directed to him or those listed on the LSO Budget staff organizational chart. Senator Stennett inquired where she may direct questions related to potential funding for mental health, domestic violence, child abuse and other areas not specifically addressed in the report. Mr. Headlee replied that these questions may be directed to Mr. Headlee or Jill Randolph. Mr. Headlee further directed Senator Stennett to a sub-bullet on page 4 of the report that states funding may be used for evidence-based community violence intervention programs to prevent violence and mitigate the increase in violence during the pandemic.

Senator Agenbroad asked if the Legislative Services Office's Budget Division has the appropriate staff and resources to address these questions. Mr. Headlee replied that he feels the division has a better grip on the topic and is adequately staffed. In addition, the division is currently interviewing for a new Budget Specialist. Cochair Bedke followed up by stating that, as money is appropriated to the agencies, there will be an increased need to receive current information from the agencies and ensure the agency is adequately staffed. Mr. Headlee agreed and clarified that he was specifically speaking to the staffing level of LSO, not other agencies. Senator Anthon emphasized that there is an extremely high need in the rural areas of Idaho and this may be a unique opportunity.

Senator Anthon expressed agreement with being generous with infrastructure areas. Cochair Bedke stated that not all entities are the same and he was not sure what the final model will look like. Representative Monks agreed with Cochair Bedke and stated that many rural areas may need support, however some of the smaller entities have already made a lot of improvement and it's important that entities do not end up paying twice. Senator Stennett added that sometimes DEQ will assist the smaller communities and this should be kept in mind in determining resources for state agencies.

Cochair Winder emphasized that it's important for the committee to learn as much as possible regarding the ARPA funding so the Legislature is prepared for the 2022 session. Cochair Bedke inquired if subcommittees were already established to assist with the information gathering. Representative Blanksma stated that subcommittees have not been established. Cochair Bedke expressed the need to task germane workgroups with continued research related to ARPA. Cochairs Winder and Bedke agreed that they have the authority to create these groups. Cochair Bedke suggested that state agency leaders start putting together information regarding their agency needs so it's available when requested by the Legislature. Cochair Winder reiterated that the most important item now is identifying the priorities.

With no further business, the meeting was adjourned at 11:48am.