

MINUTES
Approved by the Committee
Committee on Federalism
Thursday, November 18, 2021
10:00 A.M.
Room WW02
Boise, Idaho

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

Members in attendance: Cochair Representative Sage Dixon and Representatives Judy Boyle, Megan Blanksma, and Chris Mathias; Cochair Senator Steve Vick and Senators Daniel Johnson and Carl Crabtree. Absent/excused: Representative Wendy Horman; Senators Mark Harris and Dave Nelson. LSO staff in attendance: Kristin Ford, Katherine Gerrity, Rob Sepich, and Jennifer Kish.

NOTE: Presentations and handouts provided by the presenters/speakers are posted to the Idaho Legislature's website <https://legislature.idaho.gov/sessioninfo/2021/interim> and copies of those items are on file at the Legislative Services Office in the State Capitol. Recordings of the meeting may be available under the committee's listing on the website.

OPENING REMARKS / APPROVAL OF MINUTES

Cochair Dixon requested a motion for approval of the minutes. **Sen. Crabtree made a motion to approve the minutes of the October 4, 2021, meeting. Without objection, the motion passed unanimously.**

Cochair Dixon explained that the meeting's purpose was to investigate how the presidential executive order [14008 *Tackling the Climate Crisis at Home and Abroad*] would affect Idaho industries and to investigate current issues relating to banking and how those issues would affect Idaho industries.

IMPACT OF INCREASING CLIMATE REGULATIONS

At 10:06 a.m., **Benjamin Davenport**, Executive Vice President of the Idaho Mining Association, provided comments/concerns regarding the ramifications of EO 14008 through federal agencies' policies to obtain the goals established in the executive order. He noted that investors and members of the mining industry had been aware of and had already been embracing better environmental practices for quite some time. He stated that policies to limit an industry's carbon footprint would ultimately cause increased prices, which would be passed on to the consumer.

- Cochair Vick wondered whether the majority of the mining industry's operational policies came from the federal or self-governing level. Mr. Davenport responded that it depended on the type of mining or the type of land holding, but, most often, administrative agencies dictated environmental policies to the industry. Cochair Vick asked whether there was an opportunity for comment on proposed federal rules, much as was provided for state rules. Mr. Davenport noted that the industry did have that opportunity.

At 10:22 a.m., **Trent Wright**, President and CEO of the Idaho Bankers Association (IBA), provided comments/concerns regarding the ramifications of EO 14008 to the Idaho banking industry. He noted that the association represented all sizes of banks. He reported that the banking industry helped finance programs/industries that focus on the environmental, social, and governance (ESG) footprint, while also working to reduce their own. Mr. Wright cautioned that government intervention in the banking industry requiring certain ESG or DEI (diversity, equity, and inclusion) quotas would be inappropriate. He emphasized that Idaho bankers should be able to make their own decisions about whom they will or will not do business with, within law.

- Sen. Boyle inquired whether Mr. Wright's comments were echoed by other state banking associations. Mr. Wright responded that it was the same for the American Bankers Association (ABA), of which IBA was a member, and for most members of the Independent Community Bankers of America. He summarized that the policy of allowing banks to choose their customers and for customers to choose their banks was a fundamental talking point.
- Cochair Vick asked whether the IBA and/or the ABA had a position on the recent proposal for banks to report additional information to the IRS when more than \$10,000 in transfers would occur with an account. Mr. Wright reported that the association was adamantly against any type of additional disclosure.
- Cochair Dixon inquired whether any lending guidelines currently existed regarding what customers would do with the funds per ESG or DEI quotas. Mr. Wright explained that the ideas had been discussed before - as when related to terrorism - so it was not a new idea. In reference to current events, he cautioned tasking the Postal Service with banking services.

At 10:39 a.m., **Dustin Miller**, Director of the Idaho Department of Lands (IDL), provided comments about IDL's efforts and mission. Mr. Miller noted that healthy rangelands and forests were more beneficial to carbon reduction than any goal-driven directives. He expressed concern that federal directives to reach the *30 by 30* initiative may hinder programs already occurring in the state, especially in respect to curbing wildfires.

- Sen. Johnson inquired how proactive the state/department was about carbon sequestering. Mr. Miller responded that if the department could create a carbon crediting program on state land to generate funds for the endowment, that would be ideal. He also emphasized that healthy trees within the forests sequestered carbon better than unhealthy ones.
- Cochair Dixon asked whether programs like the Good Neighbor Authority (GNA) were affected. Mr. Miller responded that, with current guidelines, it was not.

At 10:56 a.m., **Shawn Keough**, Executive Director of the Associated Logging Contractors, provided information about the membership of the association. She emphasized how healthy forests, thinned by the logging industry, were beneficial for clearing carbon from the atmosphere. Ms. Keough echoed the sentiment that healthy forests do not foster wildfires, which create more carbon when they burn.

- Cochair Vick inquired how the Legislature could assist agencies in response to the executive orders. Ms. Keough requested that it communicate to its federal partners to support the local agencies' efforts already in place.

At 11:13 a.m., **Russ Hendricks**, of the Idaho Farm Bureau, provided a presentation [Climate Regulation: How It Could Impact Agriculture In Idaho](#) that outlined the bureau's stance and efforts toward the executive orders' goals.

- Cochair Vick asked about the time frame for the data on slide #2. Mr. Hendricks did not have that information at the time.
- Rep. Boyle commented that much of what was taught in schools today about resource industries was not relevant to current practices. She encouraged resource industries to be better engaged in educating society about the practices that are used, especially those that address environmental responsibility.
- Cochair Dixon inquired whether farmers were considered contractors. Mr. Hendricks explained that those who were elected to serve on RCS [resource consulting services] boards were considered employees or federal contractors.

RFI: UPDATE AND NEXT STEPS

At 11:40 a.m., Julie Weaver, Section Chief of the General Counsel and Fair Hearing Unit of the Office of the Attorney General, provided an update on the recently released [Request for Information](#) (RFI) by the committee. Ms. Weaver explained that the RFI was published on the websites of

the Legislature and the Division of Purchasing. She reported that the request produced only one submission but many vendors did not respond to RFIs as much as they would for RFPs. Ms. Weaver made some suggested edits to the proposed [Request for Purchase](#) (RFP) and the [draft agreement](#). After much discussion, **Cochair Vick made a motion that the RFP have a closing date eight weeks from the date of the meeting. The motion passed unanimously by a voice vote.**

The committee recessed for lunch from 11:50 a.m. until 1:17 p.m.

POLICY REQUIREMENTS OF FEDERAL FUNDING AND STATE FUNDING ALTERNATIVES

Upon reconvening, Cochair Vick asked Paul Headlee, Deputy Director of the Legislative Services Office, to provide a brief outline of the next presentations. Mr. Headlee explained that the presentations would start with the big picture and work down into the details in regard to federal funding and reporting requirements.

April Renfro, Division Manager of the LSO Legislative Audits, began the afternoon agenda with her presentation [Federal Funds](#). Ms. Renfro provided an overview of the Single Audit Report as it pertained to the Schedule of Expenditures of Federal Assistance (SEFA), gave details about the current spending of federal assistance by the state, explained the guidance available for both general and specific compliance requirements, and offered some points to consider if state funds were used in lieu of accepting federal funds. She provided a complete report of the state's [SEFA report](#) for the fiscal year 2020.

Paul Headlee then provided his presentation [Federal Funds Update](#). Mr. Headlee gave a brief overview of the American Rescue Plan Act (ARPA), the Infrastructure Investment and Jobs Act (IIJA), and potential amendments to ARPA. He provided a detailed report of [\(ARPA\) funds requiring legislative appropriation](#) and a chart explaining the distribution of [Idaho's \(IIJA\) funds](#).

- Cochair Dixon asked whether there were requirements on ARPA funds to comply with "...national policy requirements including statutory, executive order, other Presidential directive, or regulatory requirements..." as explained by Ms. Renfro. Mr. Headlee stated that those items were applicable if named under the terms and conditions.

Alex Adams, Administrator for the Division of Financial Management, closed the segment with his presentation [Federal Funds Overview](#). Mr. Adams discussed federal funding as pertained to Idaho's budget, federal fund use in comparison to other states, and the governor's approach to federal funds - current and future. He noted that 190 of 199 Idaho cities, all Idaho counties, and the state of Idaho itself accepted ARPA funds. He explained that, per Cochair Dixon's earlier inquiry, all entities that received funds entered into an agreement with the US Treasury that requires, under the terms and conditions, the entities to abide by traditional accounting and reporting practices and to follow two executive orders: 1) encourage the use of seat belts and 2) encourage individuals not to text while driving.

- Cochair Dixon asked about the possibility of an executive order being issued that reached backward and put additional requirements on funding already received. Mr. Adams responded that he was not aware of such a situation ever occurring. Ms. Renfro cautioned, from an auditing perspective, that it served agencies well to document original agreements and any changes in terms and conditions.
- Cochair Dixon suggested that agencies detail any requirements of the terms and conditions for ARPA funds when presenting to the Joint Finance-Appropriations Committee (JFAC) and germane committees during the upcoming session.
- Cochair Vick commended DFM for requesting a legislative sponsor on its agency bills and for the five-year fiscal note. Mr. Adams noted that every agency bill would have a five-year fiscal note attached detailing any impact on the general fund, dedicated funds, or federal funds, as well as answers to the fiscal note questions outlined in his presentation.

POLICY RECOMMENDATIONS PERTAINING TO PROPOSED IRS REGULATIONS AND FINANCIAL REPORTING REQUIREMENTS FOR FINANCIAL INSTITUTIONS

At 2:16 p.m., **Julie Ellsworth**, State Treasurer, provided comments on the topics of the Internal Revenue Service's (IRS) newly proposed reporting requirements for personal banking transactions, the proposition of a pilot program to expand the US Postal Service into a financial service entity, and the trending issue of banks refusing to lend to fossil fuel industries. Ms. Ellsworth reported that she was united with other state treasurers and members of the banking industry to push back against these proposals. [Documents](#) referenced during her comments were distributed to the committee members.

COMMITTEE DISCUSSION

Cochair Dixon requested that the committee prepare a report on the items reviewed by the committee in its tenure and have it presented to the Legislature.

With no further business before the committee, the meeting was adjourned at 2:35 p.m.