Dear Governor Little,

Thank you for your leadership during this time of incredible health and economic insecurity. The Idaho Center for Fiscal Policy is deeply concerned about the effects of COVID-19 on the physical and economic health of all Idahoans. We are an independent, non-profit, nonpartisan policy research organization with a mission to provide data and analysis on fiscal issues to policymakers. I am writing to provide a summary of our recent findings on the economic aspects of the pandemic.

Our recent study of state revenue projections found that Idaho could be facing up to or greater than $754 million in revenue losses between FY2020 and 2021. The scale of these losses would affect the ability of our state to fund critical health services during the pandemic, as well as other key public services that will help us weather the predicted recession, such as public schools, postsecondary education, roads, and public safety. While we await precise projections from the Division of Financial Management, we have prepared policy options for your office to consider as it develops a strong fiscal policy response to the crisis.

- **Tap state reserves to shield public services.** The rainy day fund and other reserve funds were created to address revenue shortfalls during an economic downturn. Reserve funds could be deployed and other untapped funds maximized to address the pandemic’s effects on Idaho’s economy beyond the immediate public health crisis.

- **Maximize CARES Act and other federal funds dedicated to the pandemic for both health and budget needs.** State reserves may not be able to fully address the coming recession. The Coronavirus Relief Fund (CRF) created by CARES directs $1.25 billion for Idaho to use at the discretion of the Governor for needs resulting from the pandemic, which are to be used for costs incurred as a result of the pandemic and could include backfilling state budgets and preserving public services. Specific guidance is forthcoming from the United States Treasury on how Idaho might tap the CRF to address budgetary and community needs.

- **Direct resources to Idahoans who are most impacted.** Directing state and federal aid to Idahoans who are most impacted by the crisis – particularly those living paycheck to paycheck and those who are left out of federal response packages—ensures dollars are spent quickly within the state to meet basic needs. This is a common-sense way to boost the economy. Small businesses are most at risk of closing and need immediate aid, while
some larger businesses that remain profitable and certain industries experiencing growth as a result of the pandemic are able to weather the crisis.

- **Create a transparent process to identify economic impacts and needs in communities.** Community stakeholders, in addition to state agencies, could help identify the growing costs from the economic impacts of the pandemic across communities and to determine the best use state and federal funds including the CRF. This would allow our state to identify further needs for federal policymakers to address in an expected fourth federal relief package.

- **Develop widespread testing capacity.** In order for Idaho’s economy to selectively operate on a wider basis for a longer period of time, policymakers need to understand how fast the virus is spreading and when it might be safe for people to return to work and in what areas and industries.

Strong state fiscal policies during the pandemic will be needed to help Idaho communities respond and to set up future generations of Idahoans to thrive when the state is beyond the pandemic. Please don’t hesitate to reach out if we can be of assistance in your office’s response.

Sincerely,

Alejandra Cerna Rios
Director
Idaho Center for Fiscal Policy

Encl.

“Understanding the State Revenue Impacts of COVID-19 in Idaho,” Idaho Center for Fiscal Policy, April 2, 2020