

SUMMARY STATEMENT

Docket No. 50782

Children's Home Society of Idaho v. Raul Labrador

This case concerns an investigation by the Idaho Attorney General into the misuse of charitable funds. In 2021 and 2022, the Idaho Legislature appropriated \$36 million dollars of ARPA funds to the Idaho Department of Health and Welfare (“IDHW”) to be distributed via the “Community Partner Grant Program.” The bills specified that Grant Funds “shall be used for serving school aged participants ages 5 through 13 years.” IDHW distributed grants throughout 2021 and 2022. In early 2023, acting on reports that the grant funds had been misused by some recipients, the Attorney General undertook an investigation into how these grants had been used.

The Attorney General issued civil investigative demands (“CIDs”) to a group of those who had received the grants, including several school districts and a variety of educational entities (“the Grant Recipients”). Instead of responding to the CIDs, the Grant Recipients filed a petition in district court seeking a preliminary injunction to set aside the CIDs. They argued that the Grant Funds were not “charitable funds” and the Attorney General did not have the authority to issue the CIDs. The district court granted a preliminary injunction as to 19 of the Grant Recipients based on its belief that the Attorney General had failed to produce sufficient evidence that these Grant Recipients had engaged in any unlawful conduct. However, the district court denied a preliminary injunction as to 15 other Grant Recipients and ordered them to respond to the CIDs. Both the Grant Recipients and the Attorney General appealed from the district court’s preliminary injunction order.

On appeal, the Idaho Supreme Court unanimously affirmed the district court in part and reversed it in part. The Court held that because the Grant Funds fit within the statutory definition of “charitable donations,” the Attorney General had authority to issue CIDs under the Idaho Charitable Assets Protection Act (“ICAPA”), the Idaho Charitable Solicitation Act (“ICSA”), and the Idaho Consumer Protection Act. Under this investigative authority, the Attorney General may issue CIDs to any person who he has “reason to believe” possesses relevant information regarding a suspected violation of ICAPA and ICSA. Accordingly, the Supreme Court upheld the district court’s denial of a preliminary injunction as to the 15 Grant Recipients; however, it reversed the district court’s decision to enjoin the Attorney General from issuing CIDs to the 19 other Grant Recipients. The Supreme Court explained that the relevant standard wasn’t whether the Attorney General had shown that the 19 Grant Recipients had done anything unlawful, but whether there was “reason to believe” they had relevant information regarding potentially unlawful conduct.

The Supreme Court emphasized that it was not ruling on whether any of the Grant Recipients had actually engaged in unlawful conduct:

To be clear, we are not deciding whether the Attorney General has the authority to prosecute any Grant Recipient for failure to follow the grant guidelines, and we are not addressing whether the Grant Recipients are bound by the language in the appropriation bills. Indeed, nothing in this opinion should be read as implying that we have concluded that any of the Grant Recipients have violated the law

because we have not been asked to address that issue. However, because both ICAPA and ICSA apply to the Community Partner Grant Funds, we conclude that the Attorney General has the clear authority to investigate potential misuses of the funds, whether by the Grant Recipients or others, and the Attorney General has authority to issue CIDs to other parties, including Grant Recipients, when he has reason to believe they might have knowledge of the alleged misuse of funds. In sum, we are simply upholding the Attorney General's statutory authority to issue CIDs in this instance.

Lastly, the Supreme Court ruled in favor of one of the Grant Recipients, Elizabeth Oppenheimer, the sole individual to receive a CID. The Court held that the scope of the CID issued to her—asking her to disclose every charitable organization in which she was a member, volunteer, director, or donor—was overly broad and thereby violated her First Amendment right to freedom of association.

******This summary constitutes no part of the opinion of the Court but has been prepared by court staff for the convenience of the public.******