

MINUTES  
**SENATE STATE AFFAIRS COMMITTEE**

**DATE:** Friday, January 16, 2015

**TIME:** 8:00 A.M.

**PLACE:** Room WW55

**MEMBERS PRESENT:** Chairman McKenzie, Senators Winder, Siddoway, Lakey, Stennett, and Werk

**ABSENT/ EXCUSED:** Vice Chairman Lodge and Senators Davis and Hill

**NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

**CONVENED:** **Chairman McKenzie** called the Senate State Affairs Committee (Committee) meeting to order at 8:12 a.m. He welcomed the members of the Committee and introduced Committee Page Laura Hahn and Intern Bianca Stevenson. He asked each of them to provide some background information about themselves and to describe what their plans were for the future. **Chairman McKenzie** then introduced Jeff Anderson, Director of the Idaho State Liquor Division, to present the first item of business.

**DOCKET NO. 15-1001-1401** **IDAPA 15 - Office of the Governor, Idaho State Liquor Division**  
**15.10.01 - Rules of the Idaho State Liquor Division**

**Mr. Anderson** explained that **Docket No. 15-1001-1401** was a temporary rule that was promulgated after S 1335 was signed last session. The bill put the micro distillery industry on par with craft or micro brewers and allowed them to do very small, limited samples of their product for patrons who toured their facilities. A limited number of distilleries are also contract stores that sell their own product. They follow the same protocol as other contract stores; the product has to be sold to the State of Idaho and then the State sells it back to the distillery. The distillery can then sell it to patrons that come to their facility.

There are presently about a dozen distilleries in the State and more on the way. S 1335 did not contemplate that some of the distilleries were, in fact, retail stores for their own products. Idaho Code § 23-311 prohibits the consumption of a beverage containing alcohol within a liquor store. Alcohol and Beverage Control enforces the laws, and this rule attempts to clarify that distilleries not only sell their own products but can provide samples of those same products.

**Chairman McKenzie** asked for clarification on the process and if the operations under the special distributor agreements, which only apply to liquor manufactured on the premises, are different from the way licensed contract stores operate. **Mr. Anderson** confirmed that it is only for liquor manufactured on the premises. In the case of the distillers who manufacture on premise, they are treated very much the same way as State operated stores. These are annual contract agreements, not licensed State contract stores.

**Senator Werk** asked for assurance that this is not creating a special distributor agreement and that there is no definition of "special distributor agreement" in the rule itself. He referred back to the statute, Idaho Code § 23-507, asking if this rule was going beyond statutory authority. **Mr. Anderson** stated that the purpose is to clarify that a licensed distillery in the State that has met all of the criteria can do

limited sampling of their own products. **Mr. Anderson** said that Deputy Attorney General Tim Davis would respond to the question. **Tim Davis**, Deputy Attorney General representing the Liquor Division, answered that the rule is not going beyond the authority of the provision and the authority of the statute for contracts. **Mr. Davis** noted that the definition is in an existing rule. Distilleries have the authority to contract in this manner to sell their own product very much like any other contract store. The sampling applies only to their own product. **Chairman McKenzie** clarified that this is not expanding the liquor license. This is referring to existing rules about special distributor agreements and clarifies the rights of a distillery to sell their product on their premises; S 1335 allows for that provision. **Mr. Anderson** stipulated that they are not selling the samples, they are free, and if someone likes what they taste, then that product is available for them to purchase. **Mr. Anderson** stated that they have no interest in expanding this throughout the system.

**Senator Lakey** asked for some background information regarding the new change and the definitions under distillery and distributing station which talks about contract stores for purposes of retail sales in the State. He wondered if this provides for a broader definition of a contract store with a limited purpose. **Mr. Anderson** responded that there is a distinction between Sections .04 and .09 of the rule. The distillery who sells their own product is recognized as being different than a full service contract store that sells a wide variety of products. **Mr. Davis** stated that the criteria was met in this rule. The purpose of the language and definition is to say that a distillery must comply with all the requirements for contract stores.

**Chairman McKenzie** called for further questions.

**MOTION:** **Senator Werk** moved to approve **Docket No. 15-1001-1401**. **Senator Winder** seconded the motion. The motion carried by **voice vote**.

**Chairman McKenzie** thanked Mr. Anderson for his explanation of the rule and welcomed Paul Kjellander, Commissioner, Idaho Public Utilities Commission (PUC).

**DOCKET NO. 31-0201-1401** **IDAPA 31 - Idaho Public Utilities Commission**  
**31.02.01 - Public Records Act Rules of the Idaho Public Utilities Commission**

**Mr. Kjellander** stated that this section of statute governs the Public Records Act, and it states that the agency shall adopt guidelines that identify the general subject matter of all public records kept or maintained. There are no specific requirements for rules. The PUC is seeking to repeal the public record rules and replace them with public record guidelines. The guidelines will be substantially the same as the rules. The benefit is that it reduces the size of the administrative code and it saves an annual fee of about \$400.

**Chairman McKenzie** asked for questions from the Committee.

**MOTION:** **Senator Siddoway** moved to approve **Docket No. 31-0201-1401**. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

**ADJOURNED:** **Chairman McKenzie** reminded the Committee that there would not be a meeting Monday morning but there would be one on Tuesday morning for a presentation on cyber security by the delegation from the Pacific NorthWest Economic Region. There being no further business, **Chairman McKenzie** adjourned the meeting at 8:30 a.m.

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Senator McKenzie, Chair

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Twyla Melton, Secretary