

MINUTES
HOUSE STATE AFFAIRS COMMITTEE

DATE: Tuesday, February 28, 2012

TIME: 8:30 A.M.

PLACE: Room EW40

MEMBERS: Chairman Loertscher, Vice Chairman Crane, Representative(s) Stevenson, Black, Anderson (Keough), Andrus, Bilbao, Luker, Palmer, Simpson, Guthrie, Henderson, McGeachin, Sims, Batt, Smith(30), King, Higgins, Buckner-Webb

**ABSENT/
EXCUSED:** Representative(s) Henderson, Buckner-Webb

GUESTS: Curtis Kemp, Ketchum City Council; Russell Westerberg, Hagadone Hospitality; Elizabeth Criner, Idaho State Dental Association (ISDA); Bill Roden, Knob Hill Inn; Brett Matteson, Knob Hill Inn; Sarah Fuhrman, Roden Law Office; Tony Smith, Benton Ellis; Kerry Ellen Elliott, Idaho Association of Counties; Ken Burgess, Idaho Licensed Beverage Association.

Chairman Loertscher called the meeting to order at 8:35 a.m.

Rep. Batt made a motion to approve the minutes of February 21, 2012 as written. **Motion carried by voice vote.**

Rep. Higgins made a motion to approve the minutes of February 17 and 20, 2012 as written. **Motion carried by voice vote.**

RS 21366: **Rep. McGeachin** presented **RS 21366**, proposed legislation to restore cuts to Medicaid made during the 2011 Legislation Session in **H 260**. Rep. McGeachin explained that **RS 21366** will restore \$1.5 million to the State's General Fund. The three programs targeted for restoration include preventive dental services, duplicative skill treatment for individuals with mental health and developmental disabilities, and removal of the individualized tiered budgets for adults.

MOTION: **Rep. Bilbao** made a motion to introduce **RS 21366**. **Motion carried by voice vote.**

RS 21324: **Rep. Stevenson** presented **RS 21324**, proposed legislation to replace **H 445**. Rep. Stevenson stated that **H 445** inadvertently included school bus drivers and librarians in the revised definition of "employee". Rep. Stevenson explained that **RS 21324** came about because cemetery districts requested exemptions for their employees, but PERSI stated they did not qualify. **RS 21324** will provide an exemption for cemetery districts and mosquito abatement districts. Currently, Idaho Code requires certification that the position is seasonal and affected by weather and the growing season. Cities such as Rexburg had seasonal employees working on projects outside of the growing season and they were not able to exempt them. **RS 21324** resolves this and removes this requirement.

MOTION: **Rep. Smith** made a motion to introduce **RS 21324**. **Motion carried by voice vote.**

RS 21325: **Rep. Stevenson** presented **RS 21325**, proposed legislation to clarify that a separate water right is not required for the collection, treatment storage or disposal storage, including land application, of the effluent from publicly owned treatment works. Rep. Stevenson stated this legislation was brought by the Association of Cities due to a situation that arose in McCall. They were combining wastewater from the city with a sewer district and realized each individual entity did not require a permit, but when combined, there was ambiguity. **RS 21325** makes it clear that when you combine these two sources, if a land application is to take place, this will not require a permit. There will be a filing fee for a notice of land application of effluent.

MOTION: **Rep. Higgins** made a motion to introduce **RS 21325. Motion carried by voice vote.**

H 478: **Bill Roden**, representing Knob Hill Inn of Ketchum, presented **H 478**, legislation to authorize the issuance of a state retail license to resort city inns situated in a resort city with a population not in excess of 10,000 for the retail sale of liquor-by-the-drink. Mr. Roden explained that ten (10) resort cities such as Sandpoint, Riggins, McCall, Lava Hot Springs, Ketchum and others have local-option taxes that allow an occupancy tax on lodging accommodations, and a tax upon liquor-by-the-drink, wine and beer sold at retail for consumption on the licensed premises. **H 478** will allow for the issuance of a license for liquor-by-the-drink for resort inns subject to the approval of the city council and the mayor. The resort must have a minimum of 15 guest rooms, a number lessened to accommodate the smaller cities. The license is not transferable and cannot be sold to other locations unlike other liquor licenses in Idaho. Mr. Roden noted that **H 478** will allow resorts to offer products to attract guests and encourage further investment in these kinds of facilities.

In response to questions, **Mr. Roden** explained that while current licenses are transferable and have been sold in excess of \$200,000 or more, **H 478** provides for a liquor-by-the-drink license that is not transferable. A person would have to buy the business in its entirety. Mr. Roden noted that these resort inns, with a minimum requirement of 15 guest rooms, provide an attraction for the area and jobs for the local economy. It gives people a reason to visit the area and **H 478** may attract more investments in the community. While it is not the intent of **H 478** to have resorts sell their more expensive license to obtain a non-transferable license; Mr. Roden acknowledged it is possible. Mr. Roden stated that **H 478** will not take funds away from the General Fund. The State will receive funds from annual license renewals.

Chairman Loertscher turned the gavel over to **Vice-Chairman Crane**.

Rep. Jaquet spoke in support of **H 478**. She acknowledged that the market rate for liquor licenses has been in excess of \$300,000. Rep Jaquet noted that under **H 478**, the mayor and the city council would have to agree to grant the license and the city has to charge the occupancy and liquor-by-the-drink tax.

Curtis Kemp, Ketchum City Council, testified in support of **H 478** at the request of **Mayor Hall**. Mr. Kemp stated that **H 478** would allow a small hotel to be successful in a competitive environment. **H 478** is economic development.

In response to questions, **Mr. Kemp** advised that it is possible that it might be effective to place an upper limit on the number of guest rooms a resort city inn can have, but he would be grateful to have a "Holiday Inn" or another large hotel. Ketchum has projects in the pipeline, but they haven't broken ground as of yet. They are looking for the smallest improvement.

Brett Matteson, Columbia Hospitality for the Knob Hill Inn, testified in support of **H 478**. Mr. Matteson noted the partners of Knob Hill Inn bought the failing property at an auction. Mr. Matteson stated that to be a world-class destination, a resort needs all the products and services that other properties have to offer. **H 478** would generate more profit for the owners, but it would also bring more jobs and improvements for the community. It might fuel other developments.

In response to questions, **Mr. Matteson** stated that **H 478** would provide an economic benefit. They would be able to compete with other destinations and spend more money on marketing.

Ken Burgess, Idaho Licensed Beverage Association, testified in support of **H**

478. He stated bar owners looked at **H 478** and the approval required by the mayor and the city council as well as the fact that the license is not transferable.

In response to questions, **Mr. Burgess** advised that the organization and the people he represents are interested in the licenses they hold and their ability to sell them. **H 478** provides a license to a resort city inn that is not transferable. It is not a competitive disadvantage because if they go out of business, the license would just go away.

In response to additional questions, **Mr. Kemp** stated that if a business sold their expensive license in order to apply for one under **H 478**, he would look at it favorably. It would require an additional business to be in town that could purchase the expensive license.

Bill Roden closed out testimony on **H 478**. Mr. Roden stated **H 478** doesn't mean there are facilities in these resort cities that qualify, only that **H 478** might be an inducement. Mr. Roden noted that the economic downturn has a bigger effect on resort communities.

Vice-Chairman Crane turned the gavel over to **Chairman Loertscher**.

MOTION: **Rep. McGeachin** made a motion to **HOLD H 478** in committee. Rep. McGeachin stated in general we need to revise our liquor laws. Businesses in Idaho Falls are not privy to these exemptions and they have to obtain an expensive liquor license.

SUBSTITUTE MOTION: **Rep. Smith(30)** made a substitute motion to send **H 478** to the floor with a **DO PASS** recommendation. Rep Smith stated that **H 478** provides for economic development.

Rep. Guthrie spoke in favor of the substitute motion. He stated the license is not transferable and it is less valuable than one on the open market. We need to trust cities to make these decisions and keep economic opportunities going.

Rep. Andrus supports the motion to **HOLD H 478** in committee. He agrees the license is an economic tool, but it is mandated in the Constitution to promote sobriety.

ROLL CALL VOTE: **Rep. King** requested a roll call vote on **H 478**. **Motion carried by a vote of 9 AYE, 8 NAY, 2 Absent/Excused.** **Voting in favor** of the motion: **Reps. Anderson(Keough), Stevenson, Black, Bilbao, Guthrie, Sims, Smith(30), King, Higgins.** **Voting in opposition** to the motion: **Reps. Loertscher, Crane, Andrus, Luker, Palmer, Simpson, McGeachin, Batt.** **Reps. Henderson, Buckner-Webb were absent/excused.** **Reps. Jaquet and Henderson will co-sponsor the bill on the floor.**

HJM 11: **Rep. Nielsen** presented **HJM 11**, a joint memorial for the ratification of an amendment to the U.S. Constitution that the Federal Government cannot raise the national debt without approval from a majority of the Legislatures of the separate states. Rep. Nielsen explained that Section 1 of **HJM 11** requests an amendments convention, and Section 2 limits the subject matter to an increase in the federal debt. Section 3 will allow for an Article V process if two-thirds of the states are in agreement and it will be a continuing application. Rep. Nielsen stated that the debt crisis is a national crisis. Rep. Nielsen noted that if **HJM 11** passes and becomes an amendment to the U.S. Constitution, the states will have a voice on what is going on in Washington.

Curtis Olafson, State Senator from North Dakota, currently serving as Vice-Chairman of Judiciary Rules and Procedure, testified **in support of HJM 11**. Senator Olafson stated **HJM 11** invokes our rights under Article V of the U.S. Constitution to provide an amendment for the national debt. An Article V convention

will require two-thirds of the states or 34, and each state will send delegates to deliberate. Senator Olafson stated that this amendment will only address raising the national debt since Congress won't take action to reduce it. Currently, the United States is 15.4 trillion dollars in debt; \$49,000 per man, woman and child or \$136,000 for each taxpayer. Senator Olafson further noted this proposed memorial, **HJM 11**, is a national effort and a non-partisan issue. It has already passed in North Dakota, Arizona, and Louisiana with bipartisan support, and 22 additional states are coming on board.

In response to questions, **Senator Olafson** (North Dakota) explained that it will be entirely up to each State Legislature to decide how many delegates they want to represent them, but each state only has one vote. Senator Olafson noted that each State's proposed memorial focuses on using this model resolution verbatim as much as possible. The convention would have the power to adopt slight variations, but Senator Olafson noted that they do not want Congress to circumvent the issue of the national debt.

MOTION: **Rep. Simpson** made a motion to send **HJM 11** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: **Rep. King** requested a roll call vote on **HJM 11**. **Motion carried by a vote of 13 AYE, 2 NAY, 4 Absent/Excused. Voting in favor of the motion: Reps. Loertscher, Crane, Anderson(Keough), Stevenson, Black, Andrus, Bilbao, Luker, Simpson, Guthrie, McGeachin, Sims, Batt. Voting in opposition to the motion: Reps. Smith(30), King. Reps. Palmer, Henderson, Higgins, Buckner-Webb were absent/excused. Rep. Nielsen will sponsor the bill on the floor.**

ADJOURN: There being no further business to come before the committee; the meeting was adjourned at 10:16 a.m.

Representative Loertscher
Chair

Lissa Cochran
Secretary