

MINUTES
SENATE STATE AFFAIRS COMMITTEE

DATE: Wednesday, February 13, 2013

TIME: 8:00 A.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman McKenzie, Senators Davis, Fulcher, Hill, Winder, Lodge, Siddoway, Stennett and Werk

**ABSENT/
EXCUSED:**

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 8:02 a.m. with a quorum present. The first order of business was to approve the minutes.

MOTION: **Senator Werk** moved to approve the minutes of January 21, 2013. **Senator Siddoway** seconded the motion. The motion carried by **voice vote**.

MOTION: **Senator Fulcher** moved to approve the minutes of January 28, 2013. **Senator Werk** seconded the motion. The motion carried by **voice vote**.

MOTION: **Senator Hill** moved to approve the minutes of February 4, 2013. **Senator Werk** seconded the motion. The motion carried by **voice vote**.

Chairman McKenzie welcomed Representative Neil Anderson to the Committee meeting.

GUBERNATORIAL APPOINTMENT: The appointment of Representative Neil Anderson to the Idaho Endowment Fund Investment Board (EFIB).

Representative Anderson stated that he has been an investment advisor for 25 years. During his tenure with Edward Jones (EJ), he had the opportunity to become a regional leader and eventually became a general partner. After retirement, he chose to enter politics and was successful in his run for the House. The intent of his appointment is to have a member of the House of Representatives (House) serving on the EFIB.

Chairman McKenzie asked, with your background managing individual accounts and overseeing others as you gained leadership and partnership at EJ, what unique skills do you bring to the EFIB that will lend themselves to this position.

Representative Anderson responded that at EJ they were typically dealing with larger sums of money at lower margins in terms of operating expenses but the net objective was the same. Whether it is a single investor or an institutional investor the goal is to get the highest possible return with the least possible risk.

Senator Werk asked if Representative Anderson was currently a member of the House and has it been a normal procedure for the EFIB to have a House member on its board? **Representative Anderson** stated that he is currently a member of the House and the EFIB requires a member from both the House and the Senate.

Senator Davis inquired as to whether this assignment deals with the issue that you claimed in Item 10 of the Gubernatorial Appointment Confirmation Information Form indicating that you lease state owned grazing ground. **Representative Anderson** replied that the topic was discussed during the interview process. **Senator Davis** then asked if, when giving advise to the land board in the event that this type of an issue comes up, have you thought about how you plan to deal with this conflict of interest? **Representative Anderson** stated that should there become a conflict, he would claim Rule 38 (H), which says that a conflict of interest exists but one can vote on the item in question.

Chairman McKenzie thanked Representative Anderson and introduced Warren R. Bakes

GUBERNATORIAL APPOINTMENT: The appointment of Warren Bakes to the Idaho Endowment Fund Investment Board.

Mr. Bakes advised the Committee that he had spent 33 years in the public school system at three different school districts serving as a principal, an assistant superintendant and as superintendant of schools. For the past 17 years he has been a faculty member of the University of Idaho in Coeur D'Alene. In that role, there was daily contact with teachers, principals and superintendents. His name was brought forth because an educator typically holds a position on the EFIB. **Mr. Bakes** added that he will be working in the public schools and higher education assisting with decisions on a variety of issues and will also be involved with the dispersion of funds.

Senator Siddoway asked if Mr. Bakes made his own personal investments and dealt with the facets of commodities. **Mr. Bakes** stated that he has personal investments plus he served for ten years on the Board of Directors of a medium size north Idaho credit union.

Senator Stennett asked him what motivated his decision to retire and go to work for Avista Utilities as a Resource Conservation Manager. **Mr. Bakes** stated that Avista recruited him. The state of Oregon adopted Proposition 13 causing schools to lose a great deal of money. The area utilities wanted to help offset the lack of funds by helping the schools reduce their rural energy costs. It was very successful in the state of Washington and Avista decided that they would try to do the same thing for all of the school districts in eastern Washington and northern Idaho. The company needed his expertise to help with the major revamping of those energy systems.

Chairman McKenzie thanked Mr. Bakes and welcomed Fred Snook.

GUBERNATORIAL APPOINTMENT: The appointment of Fred Snook to the Idaho Racing Commission (Racing Commission). **Fred Snook** introduced himself as a fourth generation Idahoan. His great-grandfather came to Salmon, Idaho in 1866 and the family has lived there since that time. Mr. Snook's background is in law, agriculture and horses. He is a Graduate of the University of Idaho Law School and has been licensed as an attorney for 42 years. He served as prosecuting attorney for Lemhi County for ten years and served as a state magistrate judge for fourteen years. After retirement, he was employed as the City of Salmon's attorney and as a public defender for Lemhi County and has held those positions for the last ten years. His family lost a portion of Main Street in Salmon due to a horse race in 1870 and the family has been in racing since that time. His grandfather and dad brought some of the first registered quarter horses to Lemhi in the 1940s. Growing up, his family raced about 100 registered horses in Idaho, Montana, Washington and California. He was also a licensed owner and trainer from 1976 to 2001. Presently, he does not own any race horses. He has managed the Salmon Select Horse Sale, Idaho's largest horse sale, for the last 41.

Racing in the west has been on a decline for the past twelve years. Racing in the state of Montana is almost extinct, but Idaho is making a rebound as indicated during the last year at Les Bois. This appointment is a fit with his background because he knows the people, the race tracks and what needs to be done.

Senator Davis asked about **Mr. Snook's** disclosure that, in 1977 while racing a friend's horse at a Montana race, the horse won its race and then failed the post race test. He explained that the owner had treated the horse for a respiratory infection and the vet had injected antibiotics for the infection; then the horse was sent to the race. Part of the substance from that shot caused the horse to fail the post race test. As the trainer, he had to appear before the Montana State Racing Commission and consequently, was suspended from racing for 30 days. **Senator Davis** asked if this suspension in Montana ever had an adverse impact on his license. **Mr. Snook** answered that a failed test is not uncommon in the racing world. He continued to be licensed in Montana, California, Washington and Idaho until 2001 when he retired from racing. **Senator Davis** asked for further clarification that the license termination in 2004 was voluntary and not as a result of any investigation. **Mr. Snook** replied that in 2002 his daughter died, his son was in sports in middle school and he chose to quit racing.

Senator Fulcher inquired as to the cause of the decline in horse racing. Are there things that should be changed to allow the racing industry to become robust again? **Mr. Snook** answered that there are a number of factors that have contributed to the decline in the industry. The intermountain states are dependent upon each other for a racing circuit. Owners would send their horses to Les Bois for the summer racing which ended in August. They would then take the horses to Montana. As the tracks shut down in Montana the Idahoans had no races where they could compete to finish the summer racing. Idaho Falls race track is starting to become very successful because it has an excellent track base. Some of the race tracks do not have a good base and the horses can be injured. If Idaho maintains horse racing, they will attract horses from other states where tracks have closed.

Senator Lodge stated that the horse racing business is still a \$40 million industry. Mr. Snook, do you have any current industry data that would include the industries (hay, feed, employment) that support racing? **Mr. Snook** replied that he did not have this information but stated that the racing industry can be a very large industry. His family's first race horse sales were about \$20,000; a few years ago they were \$400,000.

Chairman McKenzie thanked Mr. Snook for appearing before the Committee. He announced that the gubernatorial appointments would be voted on at the next meeting.

RS 21721

To amend Chapter 4, Title 67, Idaho Code, to provide that the Legislative Council shall engage the services of a certified public accountant to conduct audits.

Jeff Youtz, Director, Legislative Services Office, advised the Committee that the Legislative Council endorsed this change in the audit process at their November meeting. This bill makes two important changes in the procedures for the legislative branch's audit: the first moves the legislative branch from an annual audit to a biannual audit and the second change moves jurisdiction of the audit from the Board of Examiners back to the Legislative Council which is consistent with the judicial branch audit process. The audit requires many hours of time for the Pro Tem, House and the Legislative Services Fiscal Officer as well as the two Senior Legislative Auditors who assist in this audit every year. By holding the audit biannually, there will be a cost savings and reduction of personnel resources for the state.

Senator Hill asked for a clarification of the meaning of legislative branch. **Mr. Youtz** replied that the legislative branch includes the House, Senate, Legislative Services Office and the Office of Performance Evaluation. The audit is a very simple process where 95 percent is personnel costs and the rest is travel expenses.

MOTION: **Senator Hill** stated that he had a conflict of interest pursuant to Senate Rule 39 (H). **Senator Lodge** moved to send **RS 21721** to print. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

HCR 02 A Concurrent Resolution to commemorate the 100th Anniversary of the creation of Madison County
Senator Hill stated that the bill is to commemorate the 100th anniversary of the creation of Madison County. The celebration will be held Monday, February 18, 2013 at which time **Senator Hill** would like to present this bill on the Senate Floor.

MOTION: **Senator Fulcher** moved to send **HCR 02** to the Senate floor with a **do pass** recommendation. **Senator Siddoway** seconded the motion. The motion carried by **voice vote**. Senator Hill will sponsor the bill on the floor.

ADJOURNED: **Chairman McKenzie** adjourned the meeting at 8:50 a.m.

Senator McKenzie
Chairman

Twyla Melton
Secretary