

MINUTES
SENATE STATE AFFAIRS COMMITTEE

DATE: Wednesday, February 18, 2015

TIME: 8:00 A.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman McKenzie, Senators Davis, Hill, Winder, Siddoway, Lakey, Johnson (Lodge) and Stennett

ABSENT/ EXCUSED: All present, with one vacancy.

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) to order at 8:15 a.m.

GUBERNATORIAL APPOINTMENT HEARING: The Gubernatorial Reappointment of Craig Corbett to the Idaho Lottery Commission (Commission).

Chairman McKenzie welcomed Craig Corbett and asked him to provide some information about his background and how he views his role on the Commission.

Mr. Corbett said he is a resident of Grace, Idaho, and when he was appointed in 2012, he knew very little about the workings of the Commission. He had served on a school board and only knew about the money given to the schools by the lottery. He became aware of the scope of the Commission as he attended meetings. Since he was appointed, the dividend has increased each year to a new record. He has seen the tremendous benefit to the State from the lottery for schools, the building fund and the benefit to vendors selling tickets. He acknowledged that the lottery is well run with high integrity.

Senator Hill thanked Mr. Corbett for his service to the State and asked for the top goals or purposes of the Commission. **Mr. Corbett** replied that integrity and fairness are the goals of the Commission.

Senator Siddoway asked if the lottery had a machine that mimics a slot machine.

Mr. Corbett indicated that the Attorney General (AG) has determined that the machines used are not considered in violation of the law. **Senator Siddoway** further questioned whether any machines involved pushing a button prior to an immediate win/loss outcome. **Mr. Corbett** stated he had no knowledge of machines with that programing but would find the answer.

GUBERNATORIAL APPOINTMENT HEARING: The Gubernatorial Appointment of Cameron Arial to the Treasurer's Investment Advisory Board (Board).

Chairman McKenzie welcomed Cameron Arial and asked him to provide information about his background and how he perceives his role on the Board going forward.

Mr. Arial replied that he serves as the Vice President for Public Finance for Zion's First National Bank in Idaho. **Mr. Arial** explained that his primary experience is in marketing and business, and he is glad to serve as an advisor to state and local governments in Idaho with a fiduciary duty to those governments. He indicated that he has a master's degree in public administration from Boise State University and is currently enrolled in the Policy Administration Doctorate Program. His vision for this appointment is to extend the fiduciary duty to the State Treasurer's office (Treasurer's office) and aid them in the best interest of Idaho tax payers.

Senator Davis asked if Mr. Arial's current position of advocating to the Treasurer's office on behalf of communities and local government as well as his position in a large bank would ever be in conflict with advising the Treasurer's office. **Mr. Arial** answered that he has an established professional relationship in place with the Treasurer's office through the application process. He clarified that Zions Bank has no retail dealings with the Treasurer's office, and he further stated that all past interactions have been above board and reasonable. **Senator Davis** expressed contentment concerning assignments on behalf of governmental subdivisions being separate from tasks on the Board but voiced concern that future ambitions of Zions Bank may include a retail relationship with the Treasurer's office. He wondered if an eventual retail relationship would force Mr. Arial to resign from the Board. **Mr. Arial** answered that as an advisor, he is not able to give any advice or solicit business for the bank because that behavior would be in violation of his fiduciary duty.

**GUBERNATORIAL
APPOINTMENT
HEARING:**

The Gubernatorial Appointment of Gavin Gee to the Treasurer's Investment Advisory Board (Board).

Chairman McKenzie welcomed Gavin Gee and asked him to provide information about his background and how he perceives his role on the Board as well as the role of the Board going forward.

Mr. Gee stated he served for 20 years as the Acting Director of the Department of Finance with varied responsibilities including regulating the banking and securities industries, which would be helpful experience in some of the banking functions of the Treasurer. He said his role on the Board would be to share information with the Treasurer that would be beneficial to decision making. **Senator Hill** questioned whether Mr. Gee could handle one more responsibility on top of all his other obligations. **Mr. Gee** acknowledged his many responsibilities. Due to an improved economy and healthier banking industry, his duties have become manageable.

Senator Siddoway questioned the history of downsides for the investment fund and asked if course corrections were needed. **Mr. Gee** indicated an ongoing vulnerability to market risks. History indicates that long-term outlooks, not short-term panic, are the best way to operate. He reviewed asset allocation adjustments and investments that can help ease a down equity market. He stated his role on the Board would be to use his experience in regulating the securities industry. He reiterated that all investments have risks and his role would be to advise the Treasurer of those risks.

Senator Davis asked if the Board has a role in the allocation of funds associated with the State or with political subdivisions or if the role of the Board is only an advisory role as to investment strategy. **Mr. Gee** replied that the role of the Board, as he understands it, is to advise the Treasurer's office on overall investment policy and philosophy. If allocation questions arise, he is sure the Board would advise accordingly.

Senator Hill stated that his understanding of the role of the Board was to only provide investment advise and to become a safeguard in an advisory role.

GUBERNATORIAL APPOINTMENT HEARING: The Gubernatorial Appointment of Kerrie Murray to the Treasurer's Investment Advisory Board (Board).

Chairman McKenzie welcomed Kerrie Murray and asked her to provide information about her background and how she perceives her role on the Board, as well as the role of the Board going forward.

Ms. Murray told the Committee she had been in the banking business for 42 years but retired about 3 1/2 years ago. She stated she was a native Idahoan and has worked for Idaho First National Bank, Washington Mutual Bank and Banner Bank. Commercial lending was the focus of her career. Investment experience was obtained through volunteer roles on the boards of the Investment and Finance Committee of the American Red Cross National Board and the National United Way of America Committee. **Ms. Murray** explained the role of the Board was to ensure the fiduciary responsibilities of the Treasurer and to offer additional opinions as to good investment decisions.

Senator Hill shared with the Committee the intent of legislation passed last year that created the Board which recommends types and kinds of investments.

Chairman McKenzie thanked all of the appointees for coming and said that voting would occur at the next meeting.

MINUTES APPROVAL:

Senator Stennett moved to approve the Minutes of January 16, 2015. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

MINUTES APPROVAL:

Senator Winder moved to approve the Minutes of January 20, 2015. **Senator Siddoway** seconded the motion. The motion carried by **voice vote**

MINUTES APPROVAL:

The approval of the minutes of January 21, 2015 was held for a later date.

MINUTES APPROVAL:

Senator Hill moved to approve the Minutes of January 23, 2015. **Senator Siddoway** seconded the motion. The motion carried by **voice vote**.

ADJOURNED:

Chairman McKenzie adjourned the meeting at 9:00 a.m.

Senator McKenzie
Chair

Twyla Melton, Secretary

Marian Smith, Assistant Secretary