

MINUTES
SENATE STATE AFFAIRS COMMITTEE

DATE: Monday, February 13, 2017

TIME: 8:00 A.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Hagedorn, Senators Davis, Hill, Winder, Lodge, Lakey, Stennett, and Buckner-Webb

ABSENT/ EXCUSED: None

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 Siddoway called the Senate State Affairs Committee (Committee) meeting to order at 8:02 a.m.

H 33 **Relating to Wine Direct Shipper Permits**, held over from the February 10, 2017 Committee meeting.

Don Williams, Tax Policy Specialist, Idaho State Tax Commission, responded to questions asked by Committee members at the February 10th meeting (see attachment 1). **Mr. Williams** also noted there are currently 874 wine direct shippers; 61 are in-state and 790 are out-of-state, with the majority of revoked or suspended licenses coming from outside of Idaho.

Chairman Siddoway asked for an example of non-compliance violations and the protocols in place to rectify those violations. **Mr. Williams** yielded the floor to Don Anderson, Excise Tax Specialist for the Idaho State Tax Commission.

Mr. Anderson explained that non-compliance typically occurs when the seller has failed to renew the annual license, and the Alcohol Beverage Control Division is left with lapsed permits. Regarding protocols to rectify the lapsed permits, a statute authorizes the Idaho State Tax Commission to send notices to taxpayers after the permits have lapsed for 12 consecutive months; however, there is nothing in the statute with regard to the wine tax permit.

Vice Chairman Hagedorn and **Senator Davis** posed questions related to the definition of direct wine shippers, asking who they are and who is eligible to obtain a permit. **Senator Winder** noted the State Tax Commission has been asked to come back next session with a revision that would clarify the definition.

MOTION: **Vice Chairman Hagedorn** moved to send **H 33** to the floor with a **do pass** recommendation. **Senator Winder** seconded the motion. The motion carried by **voice vote**.

RS 25215 **Relating to Irrigation Districts to Increase the County Recorder filing fee for the filing of delinquency lists.**

Kelli Brassfield, Idaho Association of Counties, presented **RS 25215**, which updates the filing fee from \$2 to \$25 for Irrigation District delinquent lists. **Ms. Brassfield** noted the statute had not been updated since 1925.

MOTION: **Senator Davis** moved to send **RS 25215** to print. **Vice Chairman Hagedorn** seconded the motion. The motion carried by **voice vote**.

RS 25219 Relating to the Board of County Commissioners to revise a provision regarding notification of meetings.

Kelli Brassfield, Idaho Association of Counties, was available to present the legislation.

MOTION: **Vice Chairman Hagedorn** moved to send **RS 25219** to print. **Senator Lakey** seconded the motion.

Senator Davis asked if notifications of meetings would be consistent across the State and, if so, was that reflected in the statute. **Ms. Brassfield** answered affirmatively.

The motion carried by **voice vote**.

RS 25186: Relating to Highway Districts to revise the procedure of filling a vacancy for a highway District Commissioner.

Senator Bob Nonini, Legislative District 3, presented the proposed legislation, stating the Post Falls Highway District is the only taxing district.

MOTION: **Senator Winder** moved to send **RS 25186** to print. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

RS 25231 Relating to School Districts to provide that the boundaries of school trustee zones shall be drawn along voting precinct boundaries.

Senator Mary Souza, Legislative District 4, outlined the proposed legislation, which takes three actions: 1.) compels school districts to align trustee zones with county voting precincts to the extent possible; 2) gives school boards the option to decide if they will retain voting by zone or go to district-wide voting; and 3.) changes the election date from May of odd years to the general election date of November of even years. The purpose of the proposed resolution is to improve citizen participation in school elections and provide more accuracy.

Chairman Siddoway questioned the rationale for bringing the legislation to this Committee rather than the Education Committee or Local Government and Taxation Committee. **Senator Souza** replied the legislation is an election bill.

Vice Chairman Hagedorn questioned the logistics of the amended voting dates and resulting outcomes. Page 4, line 18-19 moved the elections years from May of odd years to November of even numbered years. Then, on line 42 of page 4, there is an example of a trustee whose term would have expired on July 1, 2017 now would expire in January 2017. Would that mean that particular trustee would have had to run for election in November of 2016? **Senator Souza** responded with the example of the school board elections coming up in May 2017; their term would expire in July 2017 which date was not correct. **Senator Souza** stated that it appears the dates need to be changed. It was determined that a date change was needed on page 4, line 44 to 2019. **Senator Souza** withdrew **RS 25231** to be revised and presented at a later date.

RS 24865 Relating to Horse Racing to revise a provision regarding distribution of the source market fee.

Ardie Noyes, Management Assistant, Idaho State Racing Commission (Commission), presented **RS 24865**, which amends the distribution of Advance Deposit Wagering (ADW) funds to provide the Commission with funding to continue operations. With the loss of revenue from live racing and simulcasting from Idaho's largest horse racing park, and the loss of revenue from the repeal of historical racing, the Commission's dedicated revenue stream is down 80 percent. Adjusting the ADW distribution will provide the Commission with the necessary revenue to continue to regulate racing at small tracks throughout the State while still

providing 50 percent of ADW funds to the racing industry.

Ms. Noyes outlined the amended distributions as follows: 20 percent (down from 40 percent) for the horsemen's purse account; 10 percent (down from 30 percent) for simulcast sites; 45 percent (up from 5 percent)) for the Commission expenses; 5 percent (unchanged) for the track distribution fund; 5 percent (unchanged) for the breed distribution fund; 5 percent (unchanged) to the public school income fund; and 10 percent (unchanged) for live track operating expenses. The bill includes an emergency clause to allow the first payments in the 2017 racing season to be distributed under the proposed formula as early as April. **Ms. Noyes** explained the distribution of funds in detail and stood for questions.

Senator Davis said this request could be seen as counterintuitive and asked about the Commission's philosophy with regard to its request. **Ms. Noyes** explained the rationale for the funding change as a short-term means to provide a revenue stream to continue operating.

Vice Chairman Hagedorn asked why there is a need to increase the Commission's size of the cut by 40 percent. **Ms. Noyes** replied that additional funding is needed for regulation and cost of stewards. **Senator Lodge** asked what the Commission's requested budget is this year. **Ms. Noyes** replied the budget request for FY 18 is \$402,100. **Senator Davis** expressed concern about long-term goals. **Ms. Noyes** replied that meetings are being held throughout the industry to identify long-term solutions.

Senator Lodge inquired if Les Bois race track were operating, would it help support the smaller tracks. **Ms. Noyes** replied affirmatively. **Senator Lodge** asked what the small tracks contributed. **Ms. Noyes** referred Senator Lodge and the Committee to the Commission's website for details on what the tracks contributed and received.

MOTION:

Vice Chairman Hagedorn moved to send **RS 24865** to print. **Senator Lodge** seconded the motion.

Vice Chairman Hagedorn noted the issues the Committee will want to understand at the bill's hearing: 1.) what the Commission's direction will be in the future to become solvent and be successful; 2.) what the reduction of 20 percent to the purses will mean; 3.) what the reduction to the simulcast will mean; and 4.) why the Commissioners believe the extra 40 percent is needed.

Chairman Siddoway called for a roll call vote. **Vice Chairman Hagedorn** and **Senators Lodge, Stennett, Buckner-Webb,** and **Chairman Siddoway** voted aye. **Senators Davis, Hill, Winder,** and **Lakey** voted nay. The motion **carried**.

RS 25142

A Senate Concurrent Resolution recognizing and honoring Gene Harris for the lifelong achievements. Senator Winder was available to present **RS 25142**.

MOTION:

Vice Chairman Hagedorn moved to send **RS 25142** to print. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

H 17

Relating to the Military Division and the Board of Examiners to provide that any contract with State matching funds in excess of a certain amount needs written approval by the State Board of Examiners.

Captain Jackson Gray, Contracting Officer for the Adjutant General, introduced **H 17** which amends I.C. § 46-714. All contracts meeting the threshold amount specified by I.C. § 67-5711 must have the approval of the Board of Examiners. The intention is to change the section to declare that any contract with State matching funds meeting the threshold amount specified by I.C. § 67-5711 must have the approval of the Board of Examiners. This change would allow processing 100 percent federally funded construction projects more rapidly and in accordance with National Guard Bureau timelines (see attachment 2).

Senator Davis requested minor language clarification, which Captain Gray explained to Senator Davis' satisfaction.

Vice Chairman Hagedorn asked if the legislation changes oversight on construction. **Captain Gray** said it does not.

MOTION: **Senator Davis** moved to send **H 17** to the floor with a **do pass** recommendation. **Vice Chairman Hagedorn** seconded the motion. The motion carried by **voice vote**.

H 18 **Relating to the Idaho National Guard to provide that the Adjutant General of the Idaho National Guard is authorized to encourage recruitment and retention by providing incentive payments for furtherance of education.**

Major Steven Stokes, Attorney Advisor for the Adjutant General, Idaho Military Division, presented **H 18** and referred to his handout (see attachment 3 and 4). The legislation amends I.C. § 46-314 by removing the word "non-technician" from line 3 to allow all federal technicians who work for the Idaho National Guard to participate in the State Tuition Assistance Program. The rationale is that members who work as federal technicians are still traditional members of the Idaho National Guard and should be offered the same opportunities as employees of other federal government agencies. The change in language would enable more than 700 technicians to take advantage of the education program, which would be a recruitment tool, and allow equitable treatment for all Guard members.

Discussion focused on funding and fiscal impact, and **Major Stokes** answered Committee members' questions: There will be no fiscal impact by increasing those eligible for the education benefits by adding the 700 technicians; the intent of the legislation is to cover the gap between the time technicians receive federal qualifications and federal dollars; the JFAC appropriation of \$250,000 will not be exceeded; and, from a military standpoint, everyone should have the same opportunities.

MOTION: **Vice Chairman Hagedorn** moved to send **H 18** to the floor with a **do pass** recommendation. **Senator Buckner-Webb** seconded the motion. The motion carried by **voice vote**.

H 19 **Relating to Armories and Military Property to revise a definition.**

Lt. Colonel Paul Boice, Staff Judge Advocate, Idaho National Guard (Guard), introduced **H 19**, which changes I.C. § 46-728 by updating the term "armory" to reflect the many types of facilities controlled by the Idaho Military Division (Division). **Lt. Colonel Boice** said the legislation replaces the now antiquated word "armory" with "Idaho military facility," which is defined by armory, readiness center, storehouse or training facility under the control of the Guard and/or Division (see attachment 5).

MOTION: **Vice Chairman Hagedorn** moved to send **H 19** to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business, **Chairman Siddoway** adjourned the meeting at 9:33 a.m.

Senator Siddoway
Chair

Twyla Melton, Secretary

Jeanne' Clayton, Assistant Secretary