

MINUTES
SENATE STATE AFFAIRS COMMITTEE

DATE: Monday, March 14, 2022

TIME: 8:00 A.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman Lodge, Vice Chairman Guthrie, Senators Winder, Anthon, Harris, Lee, Heider, Stennett, and Burgoyne

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 Lodge** called the meeting of the Senate State Affairs Committee (Committee) to order at 8:03 a.m. and reordered the bills.

S 1383 **Relating to Alcohol.** **Chairman Lodge** announced that she was holding **S 1383** until Wednesday.

RS 29811 **Relating to Disfavored State Investments.** **Senator Vick** said this legislation was to help endowment boards and the treasurer by giving them direction in making good investments. **Senator Vick** explained the bill. The first section emphasizes the purpose of investing, which was that they shall apply the Idaho Uniform Prudent Investor Act. One of the reasons this was necessary was because many companies have included environmental, social, and governance standards in their investment portfolios. What we wanted our investment boards to do was to invest to make the best return on the money. **Senator Vick** said section three talks about proxy votes and clarifies that proxy votes belong to the public entity and shall be exercised in the best interest of the entity and available to the public.

Senator Vick also mentioned the concurrent resolution to come before the Committee regarding investments in Russia. He stated that if this legislation was law right now, the resolution would be more effective. This legislation has been reviewed by the Attorney General and also the Governor's staff and encouraged the Committee to print **RS 29811**.

MOTION: **Senator Harris** moved to send **RS 29811** to print. **Senator Heider** seconded the motion. The motion carried by **voice vote**. **Senator Burgoyne** asked to be recorded as voting **nay**.

Chairman Lodge announced that due to conflicting schedules, **H 744** will be heard next.

H 744 **Relating to Alcoholic Beverages.** **Kate Hass**, with Kestrel West, said she was here on behalf of the Distilled Spirits Council. This Committee earlier passed **S 1272** which created an allowance so that distilleries can donate their product to charities. The House wanted to make one change and rather than amend the bill, they chose to write a new one. They removed the language that imposed a \$20 fee.

MOTION: **Senator Guthrie** moved to send **H 744** to the floor with a **do pass** recommendation.. **Senator Anthon** seconded the motion. The motion carried by **voice vote**. **Senator Harris** asked to be recorded as voting **nay**.

H 572

Relating to Civil Air Patrol. **Senator Winder** said H 572 is a bill that basically establishes a reason for payment as it relates to the Civil Air Patrol Wing in Idaho. There are 480 members and aerospace education, cadet programs, and emergency services are provided. Last year, the Wing did search and rescue missions helping to identify and rescue five lives that were related to aircraft. They also helped in ground searches for missing people.

Senator Winder said the Civil Air Patrol is a support function of the Air Force and provides opportunities for training for young men and women to experience the opportunity to fly. They are educated in aerospace, flight, and emergency operations. **Senator Winder** explained that the Civil Air Patrol was established around World War Two as an effort to use civilian aircraft to search for and look for submarines and other types of potential enemy activities. It has transformed to be an auxiliary of the Air Force.

Senator Winder said the request for \$50,000 would be used for an expansion of what was now allowed under the current code and would allow for training and travel expenses related to Civil Air Patrol training and educational missions.

TESTIMONY:

Colonel Robin West, Commander of Idaho Wing, Civil Air Patrol, expanded on the history of the Civil Air Patrol. She said was formed on December 1, 1941, just six days before the attack on Pearl Harbor. Its purpose was to provide a means for members of the general population who are involved in aviation, but who could not serve in the military, to participate in the war effort. Personal aircraft was used to ferry war materials between military bases and various other activities. The United States Congress recognized the service and sacrifice of those Civil Air Patrol members by awarding them a Congressional Gold Medal on December 19, 2014. **Colonel West** stated she witnessed the ceremony.

MOTION:

Senator Heider moved to send H 572 to the floor with a **do pass** recommendation. **Senator Lee** seconded the motion. The motion carried by **voice vote**.

H 728

Relating to PERSI. **Representative John Gannon** said several weeks ago, the world changed when Russia, without provocation, ruthlessly and violently invaded Ukraine with soldiers, tanks, missiles, mortars, and airplanes. **Representative Gannon** said the least we can do as a state is not support Russia by disposing of their currency, bonds, and assets. The bill says that PERSI shall make a good faith effort to immediately sell, trade, or otherwise completely divest itself of any asset of Russian currency and any other investment of the Russian government.

DISCUSSION:

Senator Guthrie inquired as to how far reaching was this and how much in terms of dollars. **Representative John Gannon** replied there was about \$5 million in currency and \$3 million in bonds. **Senator Guthrie** then asked if PERSI was expected to liquidate regardless of loss. **Representative Gannon** said there are no parameters, just good faith.

Senator Burgoyne said Russia has been an enemy since the 1940's and we don't trade with the enemy. There is a fundamental principle that we do not trade with the enemy regardless of how good an investment is and that we sustain any loss necessary by refusing such trade. **Senator Burgoyne** also stated that it would be completely contrary to what we are attempting to accomplish with our current foreign policy actions.

Senator Stennett directed her questions to Don Drummond, Executive Director of PERSI. The first question was how does PERSI divest itself of things within the portfolio. **Mr. Drummond** said the PERSI fund had a minimal investment. It was a total of \$8.5 million. Everything had been disposed of prior to it being frozen by the Russian government. It is a fiduciary responsibility of the Board to do it in a manner that results in a minimal impact. **Mr. Drummond** said one of the concerns regarding this bill if it was passed was the taking on of fiduciary responsibilities by the legislature. The board understands the fiduciary responsibilities and they are doing what was appropriate, in this case, to divest and get rid of those assets.

Senator Stennett asked if the time frame of the seven day requirement of publicly disclosing all other investments it has in any company domiciled in Russia was workable. **Mr. Drummond** said at this point, they have gotten rid of all the assets except those frozen by the Russian government and did not know if they would be unfrozen by seven days. Having time frames like this puts them in an awkward position, as fiduciaries to the fund, stated **Mr. Drummond**.

Senator Guthrie inquired about the language on line 27 of the bill which says "in any company that significantly uses Russian materials in the production of its products" and asked how far reaching was that. **Mr. Drummond** said the Board had offered some different language to take place of the good faith language. The broad language for all companies is far reaching and really limits things that can be invested in. The goal is not to invest in Russia but to support Ukraine. **Mr. Drummond** stated their position was to fulfill fiduciary duties and they are worried about the broadness of the language.

Senator Winder said **HCR 41** appears to be a statement of what we are trying to do without the potential unintended consequences of this. The resolution expresses the condemnation of Russia and war crimes against Ukraine. The intent of the legislature was to get out of investments in a reasonable way. **Senator Winder** asked if the concurrent resolution provided the direction to do an orderly divestiture. **Mr. Drummond** said it did provide the guidance that they would need and they could comply with the House resolution and fulfill their fiduciary responsibilities to the members.

Senator Stennett asked Mr. Drummond about the other language that he would have preferred. **Mr. Drummond** indicated that the language was recommended by the Board's fiduciary counsel and he could provide it to the Committee. **Senator Burgoyne** said the legislative intent section provides PERSI plenty of cover with respect as to how to assess the risk of Russian investments and the good faith effort language does its job.

MOTION: **Senator Burgoyne** moved to send **H 728** to the floor with a **do pass** recommendation. The motion **failed** for lack of a second.

DISCUSSION: **Representative Gannon** said he wanted to make a clarification. The seven days was to just publicly disclose the assets. That was all that it does.

MOTION: **Senator Winder** moved to hold **H 728** in Committee until Wednesday to allow for proper amendment. **Senator Lee** seconded the motion. The motion carried by **voice vote**. **Senator Burgoyne** asked to be recorded as voting **nay**.

HCR 41 **Stating Findings of Legislature Directing the Endowment Fund Investment Board.** **Representative Gannon** said **HCR 41** is identical to **H 728** only as a resolution because endowments are a separate legal entity and the Land Board had considerable supervision over those investments.

TESTIMONY: Three guests from Ukraine spoke about what was happening in their country and asked for support. **Chairman Lodge** thanked the ladies for their testimonies and said our prayers and thoughts are with them.

MOTION: **Senator Lee** moved to send **HCR 41** to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

Chairman Lodge said **H 705** was overlooked and would be put on Wednesday's agenda.

S 1367

Relating to Campaign Finance and Lobbyists. **Jason Hancock**, Deputy Secretary of State, said this legislation deals with campaign finance and Idaho's sunshine laws. The legislation was attempting to simplify certain things and close certain loopholes that have become exploitable in our sunshine laws. The current law had a series of different trigger thresholds for when reporting was required. Some of those thresholds are zero and up to \$5,000. **Mr. Hancock** said this legislation attempts to simplify that and create a more uniform \$500 trigger for when reporting was required. Activities that were minor at \$500 would not need to be reported. The \$5,000 threshold would still be retained that exists for county central committees or political parties. Legislation also consolidates all of the campaign finance reporting requirements into two sequential sections in the code. Currently, those requirements were scattered throughout the chapter in different places.

Mr. Hancock said this legislation also closed a loophole that has allowed certain political committees that were filed with the Federal Elections Commission (FEC) to spend significant money in Idaho's state and local races and not report their donors until well after the election was over. Right now, any political committee that was registered with the FEC had a blanket exemption from having to report their donors. **S 1367** narrows that exemption down so that it would only apply to FEC entities that were limiting their activities to those federal races or races in other states. If they came into Idaho and spent money on state and local races, then they would have to report according to our timelines and schedules, which would require them to disclose who their donors were before the election.

Mr. Hancock stated there were some smaller technical corrections and modernizations relating to lobbyist reporting, such as replacing the current requirement that we provide a weekly paper report to the Legislature of who the lobbyists were to requiring our office to simply maintain all that information online in a public format for everybody to be able to get to at any point in time.

There have been concerns regarding electioneering communications and timelines. This legislation creates a uniform timeline that electioneering communications need to be reported 60 days before any election. Right now, it is 60 days before general elections, but it is 30 days before primaries. By moving it to 60 days, it was pointed out that it could get into the legislative session.

Mr. Hancock said they had developed some amendments that were agreeable to the people who brought those concerns forward. If the legislature adjourned 50 days before the primary election, then that electioneering communications clock would start at that 50 day point. **Mr. Hancock** said he had some language for amendments if the Committee should choose to send **S 1367** to the 14th Order.

TESTIMONY: Opposing **S 1367** was Douglas Kellogg, Projects Director with Americans for Tax Reform.

Testifying in support of **S 1367** was Alicia Abbott from Sandpoint and Kendal Shaber on behalf of the League of Women Voters.

MOTION: **Senator Guthrie** moved that **S 1367** be referred to the 14th Order for possible amendment. **Senator Lee** seconded the motion. The motion carried by **voice vote**.

S 1377 **Relating to Elections.** **Mr. Hancock** stated this legislation does a number of things. It deals with dates and deadlines within the election process. It aligns the 60 day standard for election orders from the clerk for major elections for the presidential primary as opposed to the 50 day standard for less major elections. It also clarified that all deadlines that occur on a weekend will fall on the next business day. Another provision was a system for when candidate withdrawals could occur and when vacancies could get filled on the ballot that allowed time for a ballot to be produced for absentee voters. The last change creates a deadline for the officer subject to a recall election to get their 200 word statement into the clerk for the ballot, which was their argument for why they should remain in office. Currently, there was no deadline when they have to provide it.

MOTION: **Senator Lee** moved to send **S 1377** to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

ANNOUNCEMENTS: **Chairman Lodge** announced that **H 705**, **H 728**, and **S 1383** would be heard on Wednesday. She advised people to get together to come up with some amendments for **S 1383** as there have been people on the waiting list since 1975.

APPROVAL OF MINUTES: **Senator Harris** moved to approve the Minutes of February 16, 2022. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Lodge** adjourned the meeting at 9:30 a.m.

Senator Lodge
Chair

Twyla Melton
Secretary

Juanita Budell
Majority Staff Assistant