

MINUTES
SENATE STATE AFFAIRS COMMITTEE

DATE: Monday, February 03, 2020

TIME: 8:00 A.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairwoman Lodge, Vice Chairman Harris, Senators Hill, Winder, Vick, Anthon, Souza, Stennett, and Mathias (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: **Chairwoman Lodge** convened the Senate State Affairs Committee (Committee) at 8:00 a.m.

VOTE ON GUBERNATORIAL APPOINTMENT: **VOTE ON THE GUBERNATORIAL APPOINTMENT** of Representative Steve Harris to the Idaho Endowment Fund Investment Board.

MOTION: **Senator Winder** moved to send the Gubernatorial appointment of Representative Steve Harris to the Idaho Endowment Fund Investment Board to the floor with the recommendation that he be confirmed by the Senate. **Senator Souza** seconded the motion. The motion carried by **voice vote**.

RS 27463 **A CONCURRENT RESOLUTION** to request federal grants expanding Boise Veterans Cemetery and other safety projects.

Senator Todd Lakey, District 12, said both **RS 27463** and **RS 27464** relate to a group of people who have protected our country and freedom, often at the sacrifice of their personal health and even their lives. Both resolutions allow filing for federal grants and then must go through the Joint Finance Appropriations Committee (JFAC) process. **RS 27463** allows filing for federal funds to expand the Boise Veterans Cemetery and to make some life safety and other improvements at the Lewiston and Pocatello veterans homes. **Senator Lakey** described the types of improvements that would be made in all of these locations. This will allow state funds to be leveraged to accomplish more with the dollars available. There will be no fiscal impact.

RS 27464 **A CONCURRENT RESOLUTION** to authorize the Idaho Division of Veterans Services to enter into an agreement with the Idaho State Building Authority.

MOTION: **Senator Vick** moved to send **RS 27463** and **RS 27464** to print. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

RS 27485 **RELATING TO CONSTRUCTION OF STATUTES** to eliminate inactive provisions of law.

Colby Cameron, Division of Financial Management, explained that during the 1919 legislative session, some special statutes were passed that were not general laws, were not incorporated into code, were not implemented and are no longer pertinent to the state. Some involved roads and a cemeterian board and both **RS 27485** and **RS 27486** made technical corrections.

RS 27486 **RELATING TO THE BOARD OF CEMETERIANS** to eliminate an inactive licensing board.

MOTION: **Vice Chairman Harris** moved to send **RS 27485** and **RS 27486** to print. **Senator Vick** seconded the motion. The motion carried by **voice vote**.

S 1255 **RELATING TO VETERAN SERVICES** to implement the transfer of funds between accounts to provide for matching grants.

Marv Hagedorn, Chief Administrator, Idaho Division of Veteran Services (IDVS), explained there are two funds that are used as savings accounts: the Veterans Recognition Fund and the Idaho Veterans Recognition Income Fund (Income Fund) which were started several years ago with \$20 million from monies the veterans homes had saved. Those funds went into the Veterans Recognition Fund and, along with a grant from the Veterans Benefits Administration (VA), were used to build a home in Post Falls which was recently completed. In this process, transferring funds was problematic. **Mr. Hagedorn** elaborated on those issues and how this new process to administer the grant would solve the problems. The objective is to have the Income Fund set up properly so those funds can be used for grant matching dollars. Future savings will be put into the Income Fund where they cannot be spent except through JFAC and the Legislature, but can qualify as matching funds to apply for VA grants.

DISCUSSION: **Senator Winder** referred to the last line on page 2, "determined by the Division of Veteran Services" and asked who makes that determination. **Mr. Hagedorn** responded that it depends on the situation. However, a decision would never be made if both the financial advisors and the administrator were not involved. The team works together but the decision is ultimately made by the administrator.

MOTION: **Senator Souza** moved to send **S 1255** to the floor with a **do pass** recommendation. **Senator Anthon** seconded the motion. The motion carried by **voice vote**.

H 343 **RELATING TO WINE** to establish businesses for the purpose of storing/ handling wines produced by vintners and wineries.

Roger Batt, representing Idaho Grape Growers and Wine Producers Commission, stated that the wine and grape industry is one of the fastest growing industries in Idaho. It is also the most regulated because they must follow both state and federal standards regarding excise taxes because of the alcohol content. **H 343** is being introduced to allow wineries to store their product at off-site facilities. Currently, if a winery cannot store all of the wines they produce on-site, or with its contracted distributor, the winery must ship their product out-of-state to a storage facility bonded to store wine from different wineries. This legislation would allow bonded warehouses in Idaho but those warehouses could not be distributors. **Mr. Batt** explained how the transition would occur, the licensing process, and noted that the Idaho State Police were involved in drafting this legislation. The legislation would save business owners a large amount of money and offer opportunities for new businesses in Idaho.

DISCUSSION: **Senator Anthon** asked if anyone is engaging in this business, and where would the \$300 licensing fee go. **Mr. Batt** answered it is not legal to do this type of business in Idaho, and the fee will go to beverage control.

Senator Winder and **Mr. Batt** discussed how a bond was related to the warehouse, the separation of a bonded warehouse and the winery, and how surety bonds and insurance covered the product and taxes. In response to Vice Chairman Harris' question, **Mr. Batt** explained the process of obtaining a license.

Senator Anthon and **Mr. Batt** discussed current state and federal regulations. **Mr. Batt** stated If a winery cannot store its product on site or with its distributor, the winery must go out-of-state, which 25-50 percent do, costing them thousands

of dollars. This legislation sets the framework for a new warehouse type business that would be available for those wineries.

Senator Souza and **Mr. Batt** discussed how state and federal laws interacted with one another and changing the state law was preferable but federal regulations also must be considered. Federal code 27 CFR § 19.322 (b) specifically says wine can only be stored where it is produced, at a contracted distributor, or at a bonded wine warehouse. This legislation allows for bonded wine warehouses in Idaho.

MOTION: **Senator Anthon** moved to send **H 343** to the floor with a **do pass** recommendation. **Senator Winder** seconded the motion.

DISCUSSION: **Senator Anthon** spoke to the bill stating, under the current regulatory system, Idaho wineries are at a disadvantage and gave the reasons why. One choice is to vote against this bill which would further the problem and that is not acceptable; the best that can be done for Idaho and this industry is to send **H 343** to the floor with a do pass recommendation.

VOICE VOTE: The motion carried by **voice vote**.

MINUTES APPROVAL: **Vice Chairman Harris** moved to approve the Minutes of January 20, 2020. **Senator Souza** seconded the motion. The motion carried by **voice vote**.

Senator Hill moved to approve the Minutes of January 24, 2020. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

Senator Winder moved to approve the Minutes of January 17, 2020. **Senator Vick** seconded the motion. The motion carried by **voice vote**.

Chairwoman Lodge welcomed Senator Chris Mathias who will be participating in the Committee meetings in the absence of Senator Buckner-Webb.

ADJOURNED: There being no further business at this time, **Chairwoman Lodge** adjourned the meeting at 8:44 a.m.

Senator Lodge
Chair

Twyla Melton
Secretary