

HB

280

ALASKA STATE LEGISLATURE HOUSE RESOURCES COMMITTEE

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FAX

Please deliver the following pages to: Kathryn Kurtz

Fm: Staff, Resources Committee

Fax #: 2029

Total number of pages including cover: 1

Date: 5/2/05 5:16 PM

Re: CSHB 280 (RES) 24-LS0933\F

Please amend the above reference bill and final as the Resources CS

Page 6, Line 20 and 21 Delete all language in (2)

Renumber accordingly

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Thank you

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Sponsor Statement HB 280

"An Act relating to the taxation of mining property; relating to contracts approved by municipalities for payments in lieu of taxes; and providing for an effective date."

HB 280 is interestingly enough a bill requested of this body by the industry. Under its language, mines operating in the state would be taxed by the state on the true and real value of real and tangible property.

Precious metal exploration has continued in the state and several of the locations being developed are not located in organized boroughs. Without the language of HB 280 development companies are operating with an uncertain and potentially unstable set of rules for taxation. Using AS 14.17.410 (b) (2) as a tax base, mines in unorganized boroughs would be assessed a four-mill levy. Boroughs organizing after this year would be able to add two-mills to that tax rate with all of the funds being paid to the new borough.

Language in the bill also creates a special mining property tax account and allows the legislature to appropriate that money into the public education fund. Essentially this is an offer by the mining industry to assure funding for Alaska's Education System.

HB 280 is limited to large producers only. Mines producing less than \$10,000,000 are exempt from the tax formula. This keeps what is left of our once profitable mom and pop mines in operation.

In a world market, stability both politically and financially are critical to success for these companies that invest millions of dollars just searching for precious metals. Creating a stable tax base for an industry that creates hundreds of jobs in Alaskan communities makes sound fiscal sense. It also gives unorganized areas of the state a clear understanding of the income they will receive from a mine, once they become a borough and can receive the tax benefit.

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CSHB 280(RES) Sectional

Section 2

Creates a property tax program for local municipalities either current or future should they incorporate a mine into their borough for the purposes of local taxation.

Section 3

Restricts a local municipality from imposing a severance tax on produced minerals unless it is imposed prior to January 6, 2005

Section 4

Establishes a state property tax on mines not located in an organized borough with a levy of four mills. Maintains the mill levy in existing boroughs at the same rate as is levied against other real and tangible personal property. There is also language regarding payments in lieu of taxes and how a contract may be negotiated.

.020 Clarifies a term 15 years for which only property taxes may be imposed on mines within a newly established borough or an existing borough that annexes the mine.

.030- .150 Directs the state assessor to assess the mine's property with details on what must be submitted when. Language also includes the investigation process and authority, notice requirements, objection process to the assessment including appeal. It allows for an assessment to be resubmitted following an appeal. The language in section 120 also includes collection and deposit and where the funds will go and a recommendation as to how the funds should be allocated. Further language in the reference paragraphs establishes penalties, remedies and regulation authority.

.160 Establishes facilities that are available for public use are exempt as is property used in production or transportation of minerals. The language also protects small miners from taxes.

.170 Definitions

Section 5

Allows the Department to begin promulgating regulations pending the effective date of the bill.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 290 (RES)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Minerals Tax Payments to Munis in Lie RDU Tax and Treasury
 Component Tax
 Sponsor Senator Therriault
 Requester (H) RES Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	76.1	76.1	76.1	76.1	76.1
Travel	0.0	5.6	5.6	5.6	5.6	5.6
Contractual	0.0	4.4	4.4	4.4	4.4	4.4
Supplies	0.0	1.0	1.0	1.0	1.0	1.0
Equipment	0.0	4.5	4.5	4.5	4.5	4.5
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	91.6	91.6	91.6	91.6	91.6

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	91.6	91.6	91.6	91.6	91.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	91.6	91.6	91.6	91.6	91.6

Estimate of any current year (FY2005) cost: 0.0
 Check (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	0	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 (see discussion on page 2)

Prepared by: Randy Hoffbeck & Brett Fried Phone 465-3682
 Division: Tax Division Date/Time 4/21/05 4:26 PM
 Approved by: Jerry Burnett, Special Assistant to the Commissioner Date 4/21/2005
 Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB 280 (RES)

ANALYSIS CONTINUATION

Discussion

We discuss revenue, exemptions and cost below.

Revenue

We did not include an estimate for revenue because we cannot foresee if municipalities will be formed within the unorganized borough or if planned mines will actually materialize.

This bill levies a tax rate equivalent to one mill rate "required to meet the local contribution (to schools) required of that municipality" on the full and true value of mining real and tangible personal property on land in the unorganized borough as of January 1, 2005. In general this is 4 mills or .4 percent. One exception is that the 4 mill levy on the taxable value cannot exceed 45% of the district's basic need. The tax rate does not go into effect until after production commences at the mine.

However, if a municipality is incorporated after January 1, 2005, the mill rate is two mills above the local contribution rate on mining property. This tax replaces all other potential municipal taxes imposed on the property for a period of 15 years after production starts with the exception that a municipality may levy a tax on the first \$1,000 of the retail sale or use of the taxable property and the first \$1,000 of the sale or use of services associated with the property. Although the tax sunsets fifteen years after production commences, it does not appear that the mining property exemptions under Sec. 43.67.160 (a) expire as well (see exemption discussion below). Also, until the mine starts production it is subject to municipal taxation unless it is specifically precluded by Sec. 43.67.160 (a). However, a mine is only subject to the tax if its capital costs are \$10 million or greater. A small mine would thus not have to pay the state property tax but would be subject to municipal taxation not covered under Sec. 43.67.160 (a) exemptions. A small mine could, however, elect to opt into the provisions of this bill if they so chose.

The State Assessor (Steve Van Sant) has estimated that the full value of the real and tangible property for the Pogo mine at about \$250 million. Pogo, a mine currently under construction, was located within the unorganized borough as of January 1, 2005. Consequently, if this bill passes and Pogo goes into production then for a full year of production the property tax under this bill would be about \$1 million without considering the exemptions discussed below or the basic need cap. Another proposed mine that was within the unorganized borough in 2005 and is currently in the advanced exploration phase is Donlin Creek. Construction on this mine could begin as early as 2007 and production by 2008. NovaGold, a partner in the Donlin Creek project, has estimated capital costs of \$522.5 million which would translate to possible \$2 million at a 4 mill tax rate (excluding exemptions and basic needs cap). For comparison, Fort Knox, a mine with a real property value of \$221 million pays at a millage rate of 15.2 mills and paid approximately \$3.4 million to the Fairbanks North Star Borough in 2004.

Exemptions

Sec 43.67.160 (a) exempts from municipal taxation:

- (1) property rights attached to or inherent in the right to explore for or produce minerals;
- (2) mineral leases or properties whether producing or not;
- (3) minerals in place;
- (4) minerals produced or extracted in the state;
- (5) the value of intangible exploration expenses;
- (6) tangible property used for the exploration and development of minerals;
- (7) roads, storage facilities, terminals, docks and other port facilities, and airstrips, publicly owned or privately owned and open to public use.

It does not appear that these exemptions sunset after 15 years. Consequently, it appears that a great deal of mining property would be exempt from municipal taxation after 15 years.

Sec 43.67.160 (b) exempts roads, storage facilities, terminals, docks and other port facilities, and airstrips, publicly owned or privately owned and open to public use from the state tax in 43.67.010. Also exempted is mining property that has been in production for 15 or more years. We are assuming that all mining storage facilities would be private and not exempt in our rough estimates above.

Sec. 43.67.160 (c) exempts mining property where the total capital cost incurred or accrued with respect to the mine and related facilities is less than \$10 million from state taxation under 43.67.010.

Other Issues

There is some concern that equipment used for oil and gas exploration and development might be classified as mining equipment to take advantage of the lower tax rate.

Costs

Although we are not entirely certain of the extent of future mining that would be subject to the provisions of this bill, we are assuming that at least the Pogo mine will go into production. Consequently, we would have to hire an additional person at the Revenue Auditor III level to implement the provisions of the bill. This would involve total costs of \$91,600.

SB 179/HB280 Talking Points

It appears that SB 179/ HB 280 would do two primary things:

1. Requires mines in the Unorganized Borough to pay a 4 mills property tax to the State.
Acceptable: As the de facto assembly for the unorganized borough, the legislature has basically the same rights as any assembly.
2. However, if a borough forms, the state would still assess the mine and collect the property tax for the new borough up to 6 mills, but all other possible municipal taxes and fees, such as local sales taxes, would be prohibited for the expected life of the mine. **Unacceptable:** The bill would take away almost all taxing authority regarding mines from future local assemblies and make it unlikely that a borough could form if local taxpayers had to subsidize services to the mine due to the exemptions.

Key issues:

- ❑ Local taxes already have "fail-safes" to avoid inequitable treatment of one taxpayer:
 1. By law, all local taxpayers must pay the same property tax rate. If mines pay more, so does everyone else.
 2. If taxes are too high for a mine to exist, everybody loses. Unfair taxation of mines has not been identified as a problem in Alaska.
 3. If a borough formation petition appeared to treat one taxpayer unfairly the Local Boundary Commission has the authority to reject it, or refer it to the legislature.
- ❑ Local taxpayers subsidize mines It would most likely make it financially impossible for a new borough to form because State law requires a borough to:
 1. Pay 4 mills of property tax as the minimum contribution to schools, plus
 2. Pay the local cost of building new schools necessitated by the mine, plus
 3. Pay any additional option local contribution to schools to maintain an acceptable level of education, and provide adequate local services such as road maintenance and public safety.The allowable remaining 2 mills would almost certainly be insufficient to pay for schools, school bonds, and provide other services. Therefore, other local taxpayers would likely have to subsidize local public services used by the mine.
- ❑ No other industry gets virtually permanent tax breaks: No city, borough, or the state promises a permanent low tax rate for a single industry.
- ❑ If special industry tax breaks are given by the State, they should be financed by the State: If the State adopts policy to subsidize the mining industry it should be done at the State level, not by asking future local taxpayers to subsidize it.
- ❑ New mines get tax breaks, existing mines don't: Mines in boroughs formed after January 2005 would be taxed at inequitable compared to existing or new mines in existing boroughs. Besides being inequitable, this could jeopardize taxation for communities with existing mines.

Synopsis of Alaska Mining Industry- Local Revenues

Greens Creek Mine

Located in the City & Borough of Juneau:

Valuation:

Real Property	\$63,054,400
Personal Property	<u>\$47,101,020</u>
Total Value	\$110,155,420

Local Revenue Generation:

Based on mill rate of 6.61 mills equals \$728,128 per year

Fort Knox Mine

Located in the Fairbanks North Star Borough

Valuation:

Real Property	\$230,400,000
Personal Property	<u>\$ -0- (not assessed in FNSB)</u>
Total Value	\$230,400,000

Local Revenue Generation:

Based on mill rate of 15.224 mills equals \$3,507,610 per year

Red Dog Mine

Located in the Northwest Arctic Borough

Valuation:

Real Property	\$263,801,940
Personal Property	<u>\$ included above</u>
Total Value	\$263,801,940

Local Revenue Generation:

PILT - \$5,000,000 to \$6,000,000 per year

20.8 mills @ S. Smilgen

Healy Coal Mine

Located in the Denali Borough

Severance Tax on extraction of coal and gravel

Local Revenue Generation

\$56,000 per year

Pogo Mine

Currently located in the Unorganized Borough

Valuation:

Real Property	\$250,000,000
Personal Property	\$ included above
Total Value	\$250,000,000

Local Revenue Generation:

None

Donlin Creek

Currently located in the Unorganized Borough

Valuation:

Unknown

*\$1 Billion ?
possible
cost
James
Frey*

Local Revenue Generation:

None

Nixon Fort

Currently located in the Unorganized Borough

Valuation:

Unknown

Local Revenue Generation:

None

Illinois Cree'

Currently located in the Unorganized Borough

Valuation:

Unknown

Local Revenue Generation:

None

Pebble Mine

Sec. 14.17.410. Public school funding.

(b) Public school funding consists of state aid, a required local contribution, and eligible federal impact aid determined as follows:

(2) the required local contribution of a city or borough school district is the **equivalent of a four mill tax levy** on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for the preceding fiscal year as determined under (1) of this subsection. (emphasis added)

Sec. 43.82.400. Preliminary findings and determination regarding the contract.

Statute text

(a) If the commissioner develops a proposed contract under AS 43.82.200 - 43.82.270, the commissioner shall

(1) make preliminary findings and a determination that the proposed contract terms are in the long-term fiscal interests of the state and further the purposes of this chapter; and

(2) prepare a proposed contract that includes those terms and shall submit the contract to the governor.

(b) To make the preliminary findings and determination required by (a)(1) of this section, the commissioner shall compare the projected public revenue anticipated from the approved qualified project with the estimated operating and capital costs of the additional state and municipal services anticipated to arise from the construction and operation of the approved qualified project. The commissioner shall address the reasonably foreseeable effects of the proposed contract on the public revenue.

Sec. 43.82.410. Notice and comment regarding the contract.

Statute text

The commissioner shall

(1) give reasonable public notice of the preliminary findings and determination made under AS 43.82.400;

(2) make copies of the proposed contract, the commissioner's preliminary findings and determination, and, to the extent the information is not required to be kept confidential under AS 43.82.310, the supporting financial, technical, and market data, including the work papers, analyses, and recommendations of any independent contractors used under AS 43.82.240 available to the public and to

(A) the presiding officer of each house of the legislature;

(B) the chairs of the finance and resources committees of the legislature; and

(C) the chairs of the special committees on oil and gas, if any, of the legislature;

(3) offer to appear before the Legislative Budget and Audit Committee to provide the committee a review of the commissioner's preliminary findings and determination, the proposed contract, and the supporting financial, technical, and market data; if the Legislative Budget and Audit

Committee accepts the commissioner's offer, the committee shall give notice of the committee's meeting to the public and all members of the legislature; if the financial, technical, and market data that is to be provided must be kept confidential under AS 43.82.310, the commissioner may not release the confidential information during a public portion of a committee meeting; and (4) establish a period of at least 30 days for the public and members of the legislature to comment on the proposed contract and the preliminary findings and determination made under AS 43.82.400.

History

(§ 3 ch 104 SLA 1998)

Sec. 43.82.420. Coordination of public and legislative review.

Statute text

To the extent practicable, the commissioner shall coordinate the public comment opportunity provided under AS 43.82.410(4) with a review by the Legislative Budget and Audit Committee under AS 43.82.410(3).

History

(§ 3 ch 104 SLA 1998)

Sec. 43.82.430. Final findings, determination, and proposed amendments; execution of the contract.

Statute text

(a) Within 30 days after the close of the public comment period under AS 43.82.410(4), the commissioner of revenue shall

(1) prepare a summary of the public comments received in response to the proposed contract and the preliminary findings and determination;

(2) after consultation with the commissioner of natural resources, if appropriate, and with the pertinent municipal advisory group established under AS 43.82.510, prepare a list of proposed amendments, if any, to the proposed contract that the commissioner of revenue determines are necessary to respond to public comments;

(3) make final findings and a determination as to whether the proposed contract and any proposed amendments prepared under (2) of this subsection meet the requirements and purposes of this chapter.

(b) After considering the material described in (a) of this section and securing the agreement of the other parties to the proposed contract regarding any proposed amendments prepared under (a) of this section, if the commissioner determines that the contract is in the long-term fiscal interests of the state, the commissioner shall submit the contract to the governor.

(c) The commissioner's final findings and determination under (a) of this section are final agency decisions under this chapter.

History

(§ 3 ch 104 SLA 1998)

Sec. 43.82.435. Legislative authorization.

Statute text

The governor may transmit a contract developed under this chapter to the legislature together with a request for authorization to execute the contract. A contract developed under this chapter is not binding upon or enforceable against the state or other parties to the contract unless the governor is authorized to execute the contract by law. The state and the other parties to the contract may execute the contract within 60 days after the effective date of the law authorizing the contract.

History

(§ 3 ch 104 SLA 1998)

Sec. 43.82.440. Judicial review.

Statute text

A person may not bring an action challenging the constitutionality of a law authorizing a contract enacted under AS 43.82.435 or the enforceability of a contract executed under a law authorizing a contract enacted under AS 43.82.435 unless the action is commenced within 120 days after the date that the contract was executed by the state and the other parties to the contract.

History

(§ 3 ch 104 SLA 1998)

Sec. 43.56.040. State Assessment Review Board.

Statute text

The State Assessment Review Board is created within the department. The board consists of five persons appointed by the governor to serve at the pleasure of the governor, each of whom must be knowledgeable of assessment procedures. Each board member is subject to confirmation by a majority of the members of the legislature in joint session.

History

(§ 1 ch 1 F3SLA 1973)

Annotations

Administrative Code. - For oil and gas exploration, production and pipeline transportation property tax, see 15 AAC 56.

Sec. 14.17.300. Public school account.

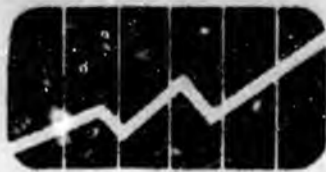
Statute text

(a) The public school account is established. The account consists of appropriations for distribution to school districts, the state boarding school, and for centralized correspondence study under this chapter.

(b) The money in the account may be used only in aid of public schools, including community school programs, and for centralized correspondence study programs under this chapter.

History

(§ 2 ch 83 SLA 1998)



The Kuskokwim Corporation

Senator Gene Therriault
State Capitol
Juneau, Alaska
99801-1182

April 25, 2005

RE: SB179

Dear Senator Therriault:

The Kuskokwim Corporation was formed in 1977 when ten Alaska Native Claims Settlement Act village corporations located along the middle region of the Kuskokwim River merged. These 10 villages are: Upper Kalskag, Lower Kalskag, Aniak, Chauthbaluk, Napaimiute, Crooked Creek, Georgetown, Red Devil, Sleetmute and Stony River.

Economic development in our region to date has been minimal. Our area suffers from a lack of jobs and high unemployment, with too many people having incomes in the poverty range. The Kuskokwim Corporation (TKC) supports economic development for our area and we want to encourage environmentally responsible mining in our area and throughout Alaska to benefit rural residents. Mining can provide needed jobs to our area and is a welcomed activity so long as our current and future subsistence needs are not adversely impacted. Your bill seeks to encourage this needed economic development by providing predictability regarding taxation on large mines. We understand this predictability would assure mine planners about a mine's feasibility and assist major mining companies when they seek financing for their projects.

TKC supports your efforts and this bill, SB179, so long as it does not discourage future local governments and potential borough formation, allowing local control to address the social and infrastructure requirements necessitated by the impacts of regional development.

TKC appreciates your efforts on behalf of Alaska's rural residents. Please don't hesitate to call us concerning our perspective and views on this and future legislation that may impact the middle Kuskokwim River region.

Sincerely,

Maver Carey, CEO
The Kuskokwim Corporation

Leo Morgan, Chairman
The Kuskokwim Corporation

CC: Stan Foo, Placer Dome Mining
James Fueg, Placer Dome Mining
Paul Fuhs, TKC Lobbyist

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Jim Pound

From: Matt Davidson [matt@akvoice.org]
Sent: Monday, May 02, 2005 9:44 AM
To: Jim Pound; Henry Webb
Subject: HB 280 FDNM: Mining legislation irks Deltana group

For Committee packet on HB 280-
Mining legislation irks Deltana group

Thursday, April 21, 2005 - Less than a week after a bill advocating a tax on mines outside of Alaska's organized boroughs was introduced, the Deltana Borough Charter Commission voiced strong opposition to the legislation.

In a strongly worded letter to bill sponsor Sen. Gerie Therriault, R-North Pole, the volunteer group drafting a charter to submit to the Local Boundary Commission said Senate Bill 179 would "have a highly destructive effect on the formation of new boroughs."

The bill calls for the state to collect a tax from mining companies in unorganized areas at a rate equal to what organized boroughs must contribute in local education funding. That amount currently stands at 4 mills.

The Deltana group opposes the legislation because it would place a limit on the amount of money the proposed borough could raise by taxing Pogo Mine, which would fall within its boundaries.

"(The bill) drastically limit(s) the taxing authority of a local government to 4 or 6 mills on mining property," said Mike Schultz, chair of the Deltana Borough Charter Commission, in a letter to the senator.

"Under this legislation, mining taxes would be higher in the existing Fairbanks North Star Borough than in the new Deltana Borough. This is constitutionally impermissible and will lead to litigation challenging this legislation."

After working more than a year on the draft charter, the Deltana group voted on April 6 to fund its proposed borough by imposing a 2 percent severance tax on the amount of gold removed from Pogo Mine.

Passage of the severance tax appears to have been a strategic maneuver on the part of the group as it has been negotiating with Pogo representatives since early this year for a payment in lieu of taxes arrangement in the event a borough is created.

However, the parties have yet to come to an agreement on a PILT dollar figure.

Karl Hanneman, Alaska regional director for Teck-Pogo Inc. refused to comment on the severance tax at that meeting. Less than two weeks later, Senate Bill 179 was introduced.

Delta Library Board holds fund-raiser

The Delta Library Board is hosting its annual Open House and Baskets of Books Silent Auction on Saturday from 10 a.m. until 4 p.m. The event is the board's largest fund-raiser of the year and the group's goal is to surpass the \$5,000 mark with its efforts, said librarian Joyce McCombs.

The auction features more than 100 "Baskets of Books" filled with items from nearly every business in Delta Junction, McCombs said. The Forget Me Knot Quilters Guild, for example has donated two baskets of quilt squares in the Jacob's Ladder pattern, she explained. The baskets also hold books on quilting and sewing supplies needed to complete the quilts.

In addition, several Fairbanks vendors have complemented the local donations. This year the Alaska Railroad has donated two round-trip tickets from Fairbanks to Anchorage, valued at \$400, McCombs said, and Chena Hot Springs is offering passes to soak in their mineral waters.

"We hope people will come early and bid often," she added.

The proceeds from the event are used to purchase items not covered by the money the library gets from the city. Past purchases have included encyclopedias, an outdoor book drop and books to give to each child participating in the library's summer reading program. With the move to a new facility earlier this year, the board is hoping to spend the money raised at this event on landscaping at the new structure.

Theme selected for Deltana Fair

"Farming in the Friendly Frontier" is the theme for the 2005 Deltana Fair. The winning theme and logo design were submitted by longtime Delta resident Ann Geise, who has created a number of winning Deltana Fair logos over the last 25 years.

This year's logo is loosely based on the painting "American Gothic" by Grant Wood showing a cow and bull moose with a pitchfork rather than the farmers as in the painting.

The competition for the winning design was fierce as 14 entries were received. The other designs were retained by the Deltana Fair Association for possible future use.

Geise received \$100 and a T-shirt with her winning design emblazoned upon it.

The 2005 Deltana Fair is scheduled for Aug. 19-21.

Janet Boyer's column about Delta Junction happenings appears weekly in the News-Miner.



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May 2, 2005

Honorable Representative Jay Ramras
House Resources,
State Capitol, Room 104
Juneau, Alaska 99801

Dear Representative Ramras,

This letter is to inform you as to the Alaska Municipal League's position on SB179 and HB280. After listening to testimony last week, it became apparent that AML must weigh in quickly. AML is opposed to SB179 and HB280.

Senator Therriault made reference to the fact that this bill had been introduced to bring "stability" to the mining industry. Yet, he also assured Senator Stedman that the six mill cap could be changed by a future legislature, should they deem it necessary. That, in itself, seems to undo the stability goal and thus makes the bill moot.

The legislature does have the right and/or responsibility to tax the unorganized borough. Therefore, a 4 mill property tax paid by a mine in the unorganized borough to the state is not something with which we have a problem. But if a borough is formed, having that same mine pay only 6 mills for a period of 15 years, while yet being exempt from all other municipal taxes is a decision that should be made by that potential borough. While we understand the mining industry's need to make an agreement with the Legislature with regards to the unorganized borough, we do not feel that agreement should carry on if and when a borough is organized.

We feel this bill is a disincentive to form boroughs; sets up an unequal taxing basis and takes away municipal taxing authority. We would encourage you to stop this bill in committee.

Sincerely,

Mike Catsi, Chairman
AML Land Use Legislative Committee