

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

CSHB 9 cont. thru HB 12 196 196

Historical and projected debt service payments from FY 74 to FY 84 are as follows (in millions of dollars):

FY 75	\$30.1	FY 80	\$75.1
FY 76	35.1	FY 81	97.6
FY 77	41.9	FY 82	102.4
FY 78	50.0	FY 83	141.7
FY 79	60.0	FY 84	178.7

Source: FY 84 Executive Capital Budget, p. 7

For the most recent five years from FY 79 to FY 83, debt service payments have increased by about \$82 million. During the same period, the general fund operating budget increased by \$1.04 billion, from \$888 million in FY 79 to \$1.93 billion in FY 83. The increase in debt service therefore accounts for about 8 percent of the growth in the operating budget for these fiscal years.

Debt service payments differ from other M&O costs because, in Alaska, the payments generally extend for only 10 to 15 years, rather than for the useful life of the capital project being bonded. In order to enhance and maintain the State's credit rating, the term of general obligation bonds has been tailored to the projected revenue decline beginning in the late 1980s. This shorter term means that the annual operating costs of bonded capital projects will decline in later years when the bonds are repaid and debt service payments end. However, this decline could be partially offset by increased maintenance costs for older facilities.

Agency Operating Costs for Capital Projects

The State agencies which have seen the largest increases in operating costs as a result of recent capital projects include:

- Department of Transportation and Public Facilities
- Division of Corrections (Department of Health and Social Services)
- Department of Fish and Game (hatchery program)
- University of Alaska

There are a number of other programs for which operating costs have increased as a result of capital projects, such as health clinics, pioneers' homes, recreational facilities, and water and sewer projects. However, compiling all the capital project operating costs for these and other programs would take considerably more research time than the eight staff days that were available for this request.

The primary method used to determine the additional operating costs for capital projects was a review of agency budget requests. When each State agency submits its budget request to the Governor's Office, it is required to justify any additions to its budget above the continuation level (which is basically the prior year's budget adjusted for inflation and other factors). In theory, any additional costs for operation, maintenance, or personnel from new capital projects should be found on these budget forms. The FY 84 budget forms now include a space for listing the specific capital project which required the additional costs; however, this information was rarely included in the budgets I reviewed.

It is important to note that this budget information includes only agency requests. Actual appropriations and expenditures may vary significantly. However, in terms of evaluating the full maintenance costs of capital projects, agency requests may be a better indicator, assuming that these requests are accurate. Lower appropriations would indicate a sub-standard level of maintenance, which for most facilities would result in either higher maintenance costs in later years or a shorter useful life.

Another consideration regarding the costs presented in this section is that they reflect only additional costs which could not be covered within the existing agency budgets. For some projects, funds in the existing operation and maintenance budget may have been "stretched" by reducing maintenance levels slightly on other facilities to cover the additional costs. Or, if M&O costs declined for any facilities, this savings may have been used to pay part of the M&O cost of new capital projects.

Department of Transportation and Public Facilities

DOT/PF requested a total of about \$8.5 million from FY 81 to FY 84 for the operation and maintenance of new capital projects. Table 1 on the following page lists these additional budget requests for each of the four fiscal years. To put this figure in perspective, DOT/PF's FY 83 budget for maintenance and operations is \$110.3 million.² This indicates that the DOT/PF M&O budget has increased by about 8 percent as a result of capital projects constructed during the last several years.

² This figure excludes M&O costs for the Anchorage and Fairbanks International Airports, which are not funded through the general fund.

Most of these requests for additional M&O funds were for either rural airport improvements or for new road mileage. For example, the FY 83 budget request for the Western region noted that lighting systems, runway extensions, or navigation and communications equipment had been installed at 33 community airports. The FY 82 Interior region budget request stated that 296 lane miles of roads and highways had been added to the regions system since 1979 with only small increases in maintenance funds. A smaller amount of additional funds was requested for building maintenance and operation and for expansion of the design and support staff for capital projects³

Division of Corrections

Table 2 contains the amounts requested by the Division of Corrections for new or expanded facilities. These figures include all direct costs of operating and maintaining the correctional facilities, including personnel, the purchase of food and other commodities, and contractual services. The largest budget requests were for the Cook Inlet pre-trial facility (\$2.3 million), the Palmer medium security prison (\$1.6 million), and the Hiland Mountain expansion (\$1.6 million). The Division's FY 83 operating budget is \$58.7 million, up from \$27 million in FY 80.

TABLE 2

Division of Corrections Additional Budget Requests for Operation and Maintenance of New or Expanded Facilities

FY 84	\$3,662,000
FY 83	7,667,000
FY 82	489,000
FY 81	<u>2,360,000</u>
TOTAL	\$14,178,000

Department of Fish and Game

The Fisheries Rehabilitation, Enhancement and Development (FRED) Division operates 20 fish hatcheries, as well as engaging in stream restoration, lake fertilization and other activities. The operation of the

³ During this period, several million dollars (not included here) was requested for capital project design, support and administration as part of the legislative mandate to convert from capital funding for these positions to funding under the operating budget.

Representative Malone
April 4, 1983
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hatcheries requires about \$6.7 million out of the Division's total \$13.5 million FY 83 operating budget.⁴ Of the 20 hatcheries, about 11 have been built since 1978 through general obligation bonds. An approximate estimate of the cost of operating these newer hatcheries would be \$3.7 million. The average size of the newer hatcheries is larger than the older facilities, so that the actual operating cost of the newer hatcheries would be somewhat larger than \$3.7 million.

The cost of operating the hatcheries at full capacity would be larger than the figures cited above. However, because of budget constraints, the Division is operating several of the hatcheries at reduced levels. The Division has also restricted its other functions because funding for the hatcheries has not kept pace with cost increases.

University of Alaska

Time did not permit a complete review of the budget requests for the University of Alaska. However, it was evident from the two fiscal years which were examined that only a very small percentage of the University's budget requests were for the operation of new facilities. Nearly all of the requests were for new teaching positions or other program-oriented purposes. In addition, several of the requests for the operation and maintenance of new buildings were rejected by the Governor.

For example, \$772,000 was requested in the FY 84 budget for operating new buildings at the Anchorage and Juneau campuses, all of which was rejected. It is unlikely that the University would allow the buildings to stand empty, so that the cost of operating these buildings will probably be reallocated from other funds. In FY 82, \$517,000 was requested (and approved by the Governor) for new facilities, including the Anchorage Community College aviation complex, a Fairbanks power plant addition, and additions to several community colleges throughout the state.

⁴ Source: Stan Moberly, FRED Division Director, personal communication, 3/31/83.

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For example, \$772,000 was requested in the FY 84 budget for operating new buildings at the Anchorage and Juneau campuses, all of which was rejected. It is unlikely that the University would allow the buildings to stand empty, so that the cost of operating these buildings will probably be reallocated from other funds. In FY 82, \$517,000 was requested (and approved by the Governor) for new facilities, including the Anchorage Community College aviation complex, a Fairbanks power plant addition, and additions to several community colleges throughout the state.

MAINTENANCE AND OPERATIONS COST INDEXES

The attached tables include representative maintenance and operations costs for roads and highways, airports, and public buildings. It must be emphasized that the M&O figures, which were provided by DOT/PF, are approximate and are averages. M&O costs for specific facilities can vary considerably depending on location, design, age, level of use, and level of maintenance. It should also be noted that the costs for roads and airports are from a 1981 DOT/PF study; current costs would be about 15 percent higher as a result of inflation.

These M&O figures do not include the non-maintenance personnel costs of operating facilities, for example, teachers' salaries in schools. The staffing levels of schools and other facilities vary considerably in relation to building size, making it inaccurate to use any kind of "positions per square foot" average in determining personnel costs.

Roads

Attachment 1 shows maintenance costs per lane mile per year for eight different types of roads, ranging from 4-lane paved highways to gravel roads less than 20 feet wide. The maintenance costs are also classified by region: Interior, Southcentral, Southeastern, Western and Central (a map of these regions is included on the following page). These costs were compiled by DOT/PF in a 1981 study. The table demonstrates the wide range in maintenance costs both for different types of roads and in different regions. For example, the cost of maintaining 2-lane paved rural primary routes (Type IV) in the Southcentral region is shown as \$8,739 per lane mile, compared to only \$2,346 per lane mile for gravel secondary roads (Type 6) in the same region. Most of this cost difference is a result of the higher traffic volumes on the primary routes and a higher maintenance level, such as more frequent snowplowing.

The wide spread in maintenance costs in different regions is indicated by the fact that in the Interior region, maintaining a 2-lane paved

rural primary route costs \$4,432 per lane mile -- about half the cost for the same road type in the Southcentral region -- while in the Western region the cost for this road type is over \$15,000 per lane mile.

Although the large variance in road maintenance costs makes it difficult and somewhat misleading to use a single average figure, a cost of \$5,200 per lane mile is often used in DOT/PF budget requests as an indicator of operating costs.

Airports

DOT/PF has also compiled data on the maintenance and operating costs of State-owned airports throughout the state. These costs are summarized in Attachment 2, and are classified for four types of airports and three areas of the state. The airport types, in order of declining size, are: regional center, regional, transport and community. Areas II and III are the same Interior and Western regions used for the information on road costs, while Area I combines the Central, Southcentral, and Southeastern regions. These airport maintenance costs are also for FY 81 and should be inflated by about 15 percent to reflect current costs.

As might be expected, the larger regional airports are considerably more expensive to maintain than the smaller community airports. The average maintenance cost for the regional center airports at the time of the study was about \$371,000 per year. Community airports averaged only \$14,360 in average maintenance costs. One cost difference which appears unusual at first glance is the much lower cost shown for maintenance of community airports in Area III (the Western region) compared to the rest of the state. One might expect the cost of maintenance to be higher in the Western region because of its remoteness and rugged climate. The most likely reasons for the lower cost shown for the Western region are simply that the airports in many of these communities are very basic, frequently without lighting or communications, and receive very limited maintenance.

It should be noted that an extensive rural airport improvement program has been undertaken over the past several years, and as a result, current maintenance costs are probably somewhat higher (even after adjusting for inflation) than those shown in Attachment 2. Although some airport improvements, such as runway resurfacing, can reduce maintenance costs, other improvements like runway lighting, communications and navigational aids require extensive maintenance to remain operative.

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Public Buildings

According to Greg Brown, Acting Statewide Planning Manager for DOT/PF, the annual maintenance and operating cost of a new office building or school in Anchorage or Juneau would probably fall in the range of \$6.50-\$7.75 per square foot of building space. This cost figure is for an optimum level of maintenance and includes all annual costs such as utilities, insurance, and janitorial service, in addition to periodic repairs to the roof, heating system, and other components.

This cost range was obtained from historical DOT/PF and local government information. Mr. Brown noted that it is difficult to arrive at an average maintenance cost, even for similar buildings, because different agencies include different items as M&O costs, and because different levels of maintenance are used. He emphasized that this cost figure should be used only as a general indicator of potential maintenance and operating impacts, and should not be used for specific projects or in preparing agency budgets.

As noted earlier, M&O costs can vary considerably, even for the same location, depending on type of facility, design, and less-than-optimum maintenance levels. For example, a corrections facility would be much more expensive to maintain than an office facility, because of its full-time occupancy and security requirements. On the other hand, a maintenance shop or storage facility would have lower M&O costs. An older facility will usually have a higher M&O cost per square foot than a new building. Also, it is important to recognize the effect of inflation on future M&O costs. With 10 percent inflation, the total M&O costs over the 30 year life of a building can be over 12 times the original construction cost of the structure.

* * * * *

I hope that this information is useful, and regret that we were not able to provide a more comprehensive response under the time constraints of our current workload. Should you have any questions or need additional research, please do not hesitate to contact us.

JK/sj

Attachments

ATTACHMENT 1

Source: DOT/PF

SUMMARY OF AVERAGE TOTAL MAINTENANCE COST/LANE MILE/YEAR
Including Overhead Costs

Roadway Type	Surface Width	INTERIOR			SOUTHCENTRAL			SOUTHEASTERN			WESTERN			CENTRAL		
		Maint. Cost	Over-Head (31%)	Total	Maint. Cost	Over-Head (31%)	Total	Maint. Cost	Over-Head (31%)	Total	Maint. Cost	Over-Head (31%)	Total	Maint. Cost	Over-Head (31%)	Total
I	48	18,936	5,870	24,806	0	0	0	7,760	2,406	10,166	0	0	0	2,928	908	3,836
II	48	4,775	1,480	6,255	0	0	0	4,663	1,446	6,109	0	0	0	2,752	853	3,605
III	24	9,381	2,908	12,289	0	0	0	5,978	1,853	7,831	0	0	0	4,771	1,479	6,250
IV	24	3,383	1,049	4,432	6,671	2,068	8,739	3,638	1,128	4,766	11,764	3,647	15,411	3,198	991	4,189
V	24	2,955	916	3,871	5,683	1,762	7,445	4,624	1,433	6,057	1,592	494	2,086	2,890	896	3,786
VI	32	2,233	692	2,925	1,791	555	2,346	4,344	1,347	5,691	2,074	643	2,717	2,887	895	3,782
VII	18	3,026	938	3,964	3,101	961	4,062	6,125	1,899	8,024	2,811	871	3,682	3,216	997	4,213
VIII	24	1,895	587	2,482	2,201	682	2,883	6,494	2,013	8,507	879	272	1,151	2,611	809	3,420

It has been noted that the \$24,806 cost/lane mile shown for Type I roadways located in the Interior Maintenance Region, also described as Area II, can be attributed to the high maintenance costs associated with chain link fencing which existed as a traffic separator on portions of Route 170000 (Parks Highway), during the time period associated with costs shown in this report. The chain link fencing has been replaced with concrete traffic separators which should contribute to reduced future maintenance costs.

ATTACHMENT 2 -- AIRPORTS

TOTAL AVERAGE MAINTENANCE COSTS AND OVERHEAD COSTS

		AREA I ¹	AREA II ²	AREA III ³
Regional Center	Maintenance	\$301,608	\$275,795	\$313,092
	Overhead	<u>68,767</u>	<u>87,744</u>	<u>66,062</u>
	Total	\$370,375	\$364,539	\$379,154
Regional	Maintenance	203,384	110,646	153,012
	Overhead	<u>46,372</u>	<u>35,075</u>	<u>32,286</u>
	Total	\$249,756	\$145,721	\$185,298
Transport	Maintenance	60,364	--	22,293
	Overhead	<u>13,763</u>	<u>--</u>	<u>4,704</u>
	Total	\$ 74,127	-- --	\$ 26,997
Community	Maintenance	11,403	17,065	5,452
	Overhead	<u>2,600</u>	<u>5,410</u>	<u>1,150</u>
	Total	\$ 14,003	\$ 22,475	\$ 6,602

1. Overhead calculated at 22.8% of maintenance.
2. Overhead calculated at 31.7% of maintenance.
3. Overhead calculated at 21.1% of maintenance.

Source: DOT/PF

CSHB

10

SENATE COMMITTEE REPORT

FURTHER:

3/17/87

DATE TURNED INTO OFFICE 5/16/87

Mr. President:

FINANCE Committee considered CSHB 10(Fin) am
minting and sale of commemorative gold and silver medallions; efd.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous

zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature] no PASS
Chairman signature and recommendation

Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

No. 2

REQUEST: _____

Bill Version: CSHB 10 (Fin)
Publish Date: HOUSE 2/25/87

Revision Date: 2/21/87
Title: Minting and sale of commemorative
gold and silver medallions
Sponsor: Davis
Requestor: House Finance Committee

Agency Affected: Administration
BRU: General Services & Supply

Components: Purchasing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The \$500 requested can be absorbed in the department's operating budget.

Prepared by: Al Adams, Chairman ^{AKA} Phone: 465-3706
Division: House Finance Committee Date: 2/21/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Original sponsors: Davis, Koponen,
Hudson and Hanley

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 10 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the minting and sale of commem-
7 orative gold and silver medallions; and providing for
8 an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 44.09 is amended by adding a new section to read:
11 Sec. 44.09.017. COMMEMORATIVE GOLD AND SILVER MEDALLIONS. (a)
12 The Department of Administration shall contract or otherwise arrange
13 for the minting and sale of Alaska commemorative medallions minted
14 only from .999 fine gold and silver in weights determined by the
15 commissioner of administration. Gold and silver mined in Alaska shall
16 be used in the production of the medallions. The state shall receive
17 a royalty from the sale of the medallions. The amount of the royalty
18 shall be determined by the commissioner of administration.
19 (b) One side of the commemorative medallions minted under this
20 section shall contain the state seal. The design for the other side
21 shall be determined in an annual contest conducted by the contractor
22 under the supervision of the Department of Administration. Only
23 designs using an Alaska theme and submitted by an Alaska resident may
24 be considered in the contest. Payment for the winning design may not
25 exceed \$1,000.
26 (c) No later than January 20 of each year, the contractor shall
27 submit to the legislature a report on the production and sale of
28 medallions under this section.
29 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 10 (Finance) am
Publish Date: _____

REQUEST _____

Revision Date: March 12, 1987
Title: An act relating to minting
commemorative coins
Sponsor: Representative Davis
Requestor: _____

Agency Affected: Department of Administration
BRU: General Services & Supply
Components: Purchasing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	*	*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

* We do not have any way of estimating the revenue this bill will generate.

Prepared By: Robert J. Link, Director *Robert J. Link* Phone: 465-2250
Division: General Services & Supply Date: _____
Approved by Commissioner: Garrey Peska *Garrey Peska* Date: 3/13/87
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

POSITION PAPER

HB 10

The bill requires the Department of Administration to contract for the production and distribution of Alaskan commemorative medallions.

We would issue an Invitation to Bid which required the successful contractor to be responsible for securing the Alaskan gold, producing the medallions, promoting and selling the medallions and paying the State a royalty. Additionally, we would be required to hold an annual design contest for the medallions.

We have no way of calculating any potential revenue, but believe it could equal or exceed advertising costs.

Bob Link
Robert J. Link, Director
Division of General Services & Supply

1/26/87
Date

Garrey Peska
Commissioner Garrey Peska
Department of Administration

1/27/87
Date



Alaska State Legislature

Representative Mike Davis

P.O. Box V
Juneau, Alaska 99811
(907) 465-4930/4941

Interim Office:
P.O. Box 81435
Fairbanks, Alaska 99708

TO: All Interested Persons

FROM: Rep. Mike Davis

DATE: February 23, 1987

RE: CSHB 10 (Fin); Relating to the minting and sale
of commemorative gold and silver medallions

This legislation directs the Department of Administration to arrange for the minting and sale of Alaska commemorative gold and silver medallions. The bill specifies that Alaskan gold and silver must be used in their production. One side of the medallions will bear the state seal, and the other a design selected through an annual contest. The state will receive a royalty from the sale of the medallions.

The purposes of CSHB 10 are to increase awareness of the Alaskan mining industry within and outside of the state, to support Alaskan businesses, and to generate modest amounts of revenue for the general fund. It is the intent of the sponsor that production and marketing of the medallions be handled by the private sector. Royalties from their sale should exceed the cost of the program to the state.

Based on the popularity of gold coins being produced by the U.S. Mint, the increasing number of visitors to Alaska, and the interest in this legislation shown by precious metal dealers, it is believed that Alaska gold and silver pieces would be well received by the public. If CSHB 10 were passed, Alaska would join Texas, California, and South Dakota in authorizing the production of state medallions.

February 23, 1987
Rep. Davis

Answers to Frequently Asked Questions About CSHB 10 (Fin)

1. What are the objectives of CSHB 10?

The goals of CSHB 10 are to increase awareness of the Alaskan mining industry within and outside of our state, to support Alaskan businesses, and to generate modest amounts of revenue for the general fund.

2. Why use the word "medallion" instead of "coin"?

A "coin" is legal tender. Article I, Section 10 of the U.S. Constitution prohibits states from coining money.

3. What weight medallions will be issued?

CSHB 10 allows the Commissioner of the Department of Administration to determine which weights are most appropriate and marketable. One ounce and quarter ounce gold medallions and one ounce silver medallions will probably be desirable.

4. What will the retail price of the medallions be?

The retail price will be determined by the contractor who will take into account the cost of production and marketing, the royalty to the state, and his or her profit margin. The current price of gold U.S. Eagle coins is \$432.00 for one ounce, \$227.00 for one half ounce, \$119.00 for one quarter ounce, and \$52.50 for one tenth ounce. One ounce silver medallions generally cost less than \$30.00.

5. Why use .999 fine gold and silver?

The gold content of gold bullion pieces is ordinarily between .900 and .999.9. High gold content may make the Alaska medallions more appealing. Two of the most popular gold coins on the market, Canadian Maple Leaves and Chinese Pandas, are .999 fine (24 karats).

6. Can the medallions be produced in Alaska?

There is no mint in Alaska capable of refining and manufacturing bullion medallions. The Department of Administration intends to award a single bid for production and marketing of the medallions. An Alaskan firm could contract with an outside mint for their manufacture. Alaskans would receive the standard 5% bidder preference.

7. Can participation in the design contest be limited to Alaskan residents?

Legislative Counsel has advised the sponsor that preclusion of non-residents could present constitutional problems under the federal privileges and immunities clause and the state and federal equal protection clauses.

8. Why is payment for the winning design limited to \$1,000?

The \$1,000 cap is in keeping with the sponsors' intent that the state's initial investment in the program be held to a minimum. A gift of the first gold medallion, or a cash award, would be sufficient to attract Alaskan artists.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

December 3, 1986

MEMORANDUM

TO: Representative Alyce Hanley

ATTN: Cassie Russell

FROM: Mary Jennings *MJ*
Legislative Analyst

RE: State-Issued Bullion Pieces
Research Request 87.039

You requested information regarding the production of state-issued bullion pieces in California, South Dakota and Texas. You requested that we determine the following: what legislation and regulations in conjunction with the legislation were required to institute the programs; how the state share of the proceeds is determined and if state proceeds from the program are applied to a specific program area; who mints the pieces and how the mints were chosen; how the design for the pieces was chosen; what metals are used; how the prices are set; the sizes of pieces that are being produced; how the piece dealers are chosen; what type of record keeping system is utilized between the state and the dealers; and how the pieces are being marketed.

California

Legislation. During 1982, the state of California adopted sections 7551 through 7556 of the State Government Code, which allow the state to contract with a mint for the production of commemorative gold medallions.¹ On May 15, 1984, Rarities Mint of Anaheim, the only mint expressing interest in the program, was awarded a five-year production contract. The California Department of General Services State Office of Procurement drafted the contract and administers the program.

¹State-issued bullion pieces may be referred to as bullion medallions, or bullion medallions. The pieces may not be called coins, a term which can be used only for federally issued bullion pieces.

Design. According to Jeannine Gendar of the Office of Procurement of the Department of General Services, the design for the medallions was chosen by the legislature and consists of the Great Seal of the State of California on one side and the State Bear, the term "California Gold", the date, the mint mark, the size, the term ".999 fine", and 31 small stars on the other. The coins are minted in one-ounce, half-ounce, quarter-ounce and tenth-ounce weights. The prices for the medallions are set by the mint and reflect the market value of gold plus the cost of production. The medallions are exempt from sales tax.

Royalties. The state receives the following royalties for the medallions: one ounce, four dollars; half ounce, two dollars; quarter ounce, one dollar; and tenth ounce, fifty cents. Proceeds are deposited into the General Fund. Sales of the medallions began during August of 1984 and as of November 1, 1986, California has received \$71,000 in royalties from the sale of 17,900 ounces of gold. Royalties, which are paid in advance, are based upon a monthly production schedule submitted to the Department by Rarities. Rarities also submits a monthly statement of the number of medallions actually minted, including sizes and serial numbers. The mint must furnish a yearly statement detailing sales. The department reserves the right to audit all records.

Marketing. Rarities conducts and pays for the cost of all marketing and advertising of the medallions although the state sets certain guidelines. The contract states that the advertising must be aggressive and on the national level in the advertising medium of Rarities' choice. All advertising is submitted to the department before publication for review.

South Dakota

Legislation. During 1985, the South Dakota Legislature passed Senate Bill 191, which allows the state to contract with a South Dakota mint for the production of bullion pieces. Two bullion programs are currently being developed. One program, aimed at South Dakota residents, will offer gold, silver, and bronze medallions commemorating the state's centennial and the other will offer gold and silver bullion on a national level. Production is planned to begin in early 1987. The State Bureau of Administration, which oversees the programs, is currently in the process of drafting a contract with Tri-State Refining and Investment, the only mint in South Dakota.

Design. Commemorative medallions will be issued in five-ounce, one-ounce and half-ounce weights and will be sold singly and in sets. Jewelry and belt buckles will also be produced. All medallions will bear the state seal on the front and a mother and child standing on the prairie on the reverse. The reverse side design was obtained in a contest open only to South Dakota residents. The medallion will be produced through 1989, the state's centennial.

Representative Hanley
December 3, 1986
Page 3

The national program of gold and silver bullion is legislated to be a permanent program. The pieces will be minted with the state seal on one side and a bison on the reverse. The bison, which was second in the commemorative design contest, was chosen at the discretion of the bureau. Five, two, one, one-half, one-fourth, and one-tenth ounce pieces will be minted.

Royalties. Under the terms of the contract, Tri-State will present a monthly statement of sales to the mint and pay royalties based on a percentage of the wholesale price of pieces sold. According to Mr. Moisan of the Bureau of Administration, the percentage has not yet been determined. The price, which will be set by the mint, will reflect the market value of the metals plus production costs. The bureau will have the right to audit all records.

The proceeds from the sale of the programs will go to the construction of the Cultural Heritage Center in Pierre, South Dakota. The project is estimated to cost \$6 million. The legislature will determine other uses for the royalties when financing for construction of the center has been fulfilled.

Marketing. Under the terms of the contract, the state will assist Tri-State with the marketing of the commemorative medallions. The marketing of the bullion pieces will be performed solely by the mint under guidelines set by the state. The contract lists two nationally known dealers that the mint must contact and also names several newspapers that the mint must utilize for advertising. The contract also states that the mint must use radio and television. All advertisement must be sent to the Bureau of Administration for approval.

Texas

Legislation. During May of 1985, the Texas Legislature adopted Senate Bill 1002, which created a program for production of materials to commemorate the Texas Sesquicentennial during 1986. A section of the bill allowed for the state to contract with private manufacturers for the production of gold and silver bullion medallions. The Texas Sesquicentennial Commission, which administers the program, contracted with Colonial Coins and Silver Creations, both of Texas, to strike the pieces. The contracts are scheduled to be renewed January 1, 1987. If no additional legislation is passed, the program will end on June 30, 1987.

Design. The legislation mandates that all pieces depict the front and back of the Great Seal of the State of Texas, which is a star on the front and the six flags of Texas on the back. The pieces are also inscribed with .999 fine, the weight, 1986 and the mint mark. One-ounce, half-ounce, quarter-ounce and tenth-ounce gold pieces and a one-ounce silver piece are being produced.

Representative Hanley
December 3, 1986
Page 4

Royalties. The mints present a monthly sales statement to the state and pay royalties of two percent of the wholesale price of the pieces sold. The price reflects the current market value of the metals plus production costs. The pieces are exempt from state sales tax. Sales of the gold bullion began in July of 1986 and the silver was offered for sale in September. According to Joanne Brown, Marketing Product Director for the commission, the state has received approximately \$4,500 in royalties thus far. As mandated by the legislation, the proceeds from the sale of all sesquicentennial products go to the Sesquicentennial Fund, which is divided equally between the Texas Tourism Commission and the Texas Commission on the Arts.

Marketing. The mints are responsible for the marketing and advertising of the bullion. All advertising must be approved by the commission 30 days before publication. The advertising medium is at the discretion of the mints.

* * * *

I hope you find this information useful. I have attached pertinent legislation and a copy of the production contract from California. I have requested similar materials from South Dakota and Texas and I will forward them to you when I receive them. I have also attached a newspaper article regarding gold and silver medallions being offered by the University of Alaska. Please feel free to contact me if you have any questions.

MJ

Attachments

seems to me that death
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States strike up gold bullion piece presses

By Michele Orzano

South Dakota may soon join California and Texas as a producer of bullion pieces. The appeal of royalties being deposited in the state's treasury and the chance to commemorate historically significant events in the state has enhanced the idea of state-issued bullion pieces.

Both California and Texas bullion pieces are exempt from state taxes while South Dakota has yet to tackle that question. California bullion pieces have been on the market for more than a year while Texas just released its first bullion piece in early May. South Dakota is in the process of conducting a statewide design contest and expects to release its first bullion piece

sometime during the state's centennial in 1989.

The producers of the California pieces think it is fitting that California was the first state to issue its own bullion pieces since California was the origin of the 1840s Gold Rush. Collectors and investors can buy California Gold in 1-ounce, half-ounce, quarter-ounce and soon a tenth-ounce size. The California legislature authorized the production of gold bullion pieces in 1983 in an effort to bring more revenue into a sagging state treasury, according to Ian Simpson, president of Rarities Mint which has a contract to strike the pieces.

California — whose nickname the "Golden State" can still evoke images of scruffy miners hauling sacks of gold into the town assay office — has survived the waves of dreamers whose eyes reflected the gold they envisioned hidden just a shovel scratch away. Now more than 100 years later and several hundred miles to the south of where it all started, is the Rarities Mint in Anaheim which produced some 12,000 pieces of California Gold in 1985.

Seeks Japanese outlets

"We strike as many as we can sell. We only struck 500 in 1984 because it was around the time of the Olympics," Simpson said. "Once the one-tenth ounce is released we will be selling it in Japan to compete in their 'gold rush' they are experiencing."

The California general fund receives \$4 for each

ounce of California Gold sold, Simpson said, but added he would like to see those royalties go to a more specific fund, something for the handicapped or elderly. He said legislation is being discussed now to direct the legislature towards that goal.

Although the original legislation mandated only California-mined gold be used in the production of the pieces, Simpson said the law was recently amended to allow purchase of gold from any American based mine. In keeping with the theme of a strong California and America, the obverse features the California brown bear while the reverse bears the Great Seal of the State of California.

Please turn to page 19



California Gold is among several state-issued gold bullion pieces.



Texas has entered the gold bullion piece market with this six flags design.

States use gold to inflate state coffers



For the 1986 issues, Simpson said the bear design has been modified to make the bear appear bolder looking and the 31 stars surrounding the bear will appear more three dimensional. The issue date will be at the bottom of the obverse rather than to the side as in previous issues.

"We envision these will surpass the popularity of the [Chinese] Panda [gold bullion coin] — It's a piece of American history," Simpson said. "We like to document history in story format."

The bullion pieces are sold nationwide by coin dealers and direct from the Rarities Mint. Simpson said he does not believe the upcoming U.S. bullion coins will hinder the sale of California Gold because his product is not monetized and is pure gold (the U.S. coins will have a fineness of .917, but will contain a full measure of pure gold). The price is spot plus 4.5 percent which averages out to \$15 to \$18 over spot, he said.

Rarities also issues California Gold Proof sets on a limited basis with 1,000 sets in 1986.

Texas bullion pieces

Texas is hoping the increased interest in U.S. gold bullion pieces will continue and help sales of the Texas gold and silver bullion pieces released this year.

The 1-ounce bullion pieces are making their debut in Texas to coincide with the state's Independence Sesquicentennial which makes the prospect of boosting the Texas Historical Society's bank account nearly a sure thing.

That is where the profits from the sale of the Texas pieces is to go, according to legislation authorizing the 1-ounce silver and the gold 1-ounce, half-ounce, quarter-ounce and tenth-ounce sizes.

Dr. G.W. Vogt of Colonial Coins in Houston, which has the contract to strike the pieces, says public interest has been good considering the pieces just recently became available. All five pieces depict the front and back of the Great Seal of the State of Texas.

"Few people know about the back of the seal. In 1961 the designers of the Texas Revolution succeeded in getting the state to adopt the reverse," he said. The reverse shows the six sons of Texas flanking three important events in Texas history — the Alamo, the "Come and Take It Cannon" and a broken lance representing the break with Mexico.

Vogt said the story behind the cannon is another interesting bit of Texas history. In the early 1830s, when Texas was still part of Mexico, the Comanche Indians were attacking the town of Goliad and the citizens asked the Mexican government for help in fending off the attacks.

The Mexican government sent a cannon for Goliad's defense. Then, during the Texas revolution when the Mexicans asked for the cannon back, the residents of Goliad told them to "Come and Take It," Vogt said, thus marking an important turnaround in the revolution. As the Texans fled from the advancing Mexican army, they took the cannon with them and buried it in the desert, never to be found, he said.

The fractional pieces will be in production by June 10, he said. All five pieces will be issued every year and the design and the date will change annually, he said.

He said the popularity of the bullion pieces will probably center in Texas although they are available all across the country.

"Most Texans are proud to be Texans and I feel these will be as popular an item as the [Canadian] Maple Leaf and [South African] Krugerrand," he said.

South Dakota considers

By the end of June, South Dakota residents will know the design to be used on the limited editions of 5-ounce gold, silver and bronze and the 1-ounce gold, silver and bronze bullion pieces.

That's the deadline date for entries from South Dakota artists to be submitted to the design contest, according to John Molsan, chairman of the centennial coin contest. The Great Seal of the State of South Dakota will grace the obverse and a design incorporating some aspect of South Dakota will be on the reverse.

Molsan said a \$1,000 prize will be given to the winning artist and Homestake Mining Co. will donate 1 ounce of gold to the winner. After the design is selected in a ceremony at the South Dakota Capital Building July 10, Tri-State Refining and Engineering in Sioux Falls, S.D., will begin striking and marketing the bullion pieces.

The bullion pieces will be sold in 5-ounce and 1-ounce sets of gold, silver and bronze and will be numbered for the limited editions. After those limited edition sets are produced, the remaining pieces will be struck and be 1.25 inches in diameter.

"We want to stay with collector interests but we also want to gear it towards something a grade school kid could have a souvenir of the centennial," he said. The leg

authorized centennial jewelry to be made in the state's South Dakota Black Hills gold, he said.

A percentage of the proceeds will go toward construction of the Dakota Heritage Center to house the relics and other historic memorabilia of the state now stored in a leaky basement of a museum, Molsan said. With that as a goal, supporters are looking for this to be a long term project, he said.

"We're at liberty to do whatever the market will bear," Molsan said. "We're billing this as the only state that produces and mines its own bullion pieces since we sell our gold to California."

By law individual states cannot strike legal tender coins, although they may strike commemorative medals or bullion pieces. According to Ken Gubin, general counsel for the U.S. Mint, many people misuse the word coin but the difference between coin and a medal is the legal tender status of the coin.

Gubin said Article I, Section 10 of the U.S. Constitution specifically prohibits states from coining money and he called it "highly inadvisable" to use the term "coin" when referring to the state-issued bullion pieces.

He said if an advertisement for the product would contain the word "coin" it might be a matter for the U.S. Postal Service or the Secret Service to look into.

"The Mint does not have any enforcement powers so we would refer it to the appropriate agency," Gubin said. "While it is an easy enough mistake to make in advertising, you have to be a little bit more careful [in that] than in casual conversation."



COMMEMORATED—The official state fossil, the woolly mammoth, left, and the University of Alaska Museum at Fairbanks have been commemorated through the creation of a numbered set of gold and silver coins. Local artist Jim Behlke designed the coins, and money raised from their sale goes to the museum's endowment fund. The museum is the only natural history museum in Alaska.

Photos courtesy UAFairbanks

Gold, silver coin set designates woolly mammoth state fossil

The Alaska Legislature made the woolly mammoth the official state fossil earlier this year, and that action is now being commemorated through the striking of a gold and silver coin set.

The idea to make the long-haired ancestor of the elephant the state fossil began with Ed McLaughlin of the University of Alaska-Fairbanks School of Mineral Engineering. McLaughlin presented the concept to state Sen. Bettye Fahrenkamp, D-Fairbanks, who then drafted the necessary legislation and saw it through to approval.

The coins feature the words "University of Alaska Museum—Preserving Alaska's Heritage," and the mammoth on one side, and the university seal on the other. Five hundred gold and 4,000 silver coins have been struck and numbered.



DISPLAYS GOLD COINS—Fairbanks artist Jim Behlke displays gold coins he designed to commemorate the naming of the woolly mammoth as the official state fossil. Money raised through the sale of the numbered coins will go to the University of Alaska Museum's endowment fund.

Upon passage of the legislation, Jerry Cleworth of Alaska State Coin Investments approached the university with the idea of having a coin struck for the occasion and to highlight the work of the university's museum, the only natural history museum in the state.

Museum director Dr. Basil Henrick obtained permission to use the Great Seal of the University of Alaska on the coins. UAFairbanks artist Jim Behlke was commissioned to draw the portrait of the woolly mammoth featured on the coins. To this end, Behlke worked with museum personnel to make the drawing as accurate as possible.

heritage, and the mammoth on one side, and the university seal on the other. Five hundred gold and 4,000 silver coins have been struck and numbered. They are now being sold at the museum's endowment fund.

Money raised through the sale of the numbered coins will go to the University of Alaska Museum's endowment fund.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 10
Publish Date: _____

REQUEST _____

Revision Date: _____
Title: An Act Relating To Minting
Commemorative Coins

Agency Affected: Department of Administration
BRU: General Services & Supply

Sponsor: Davis
Requestor: _____

Components: Purchasing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	.5	.5	.5	.5	.5
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	.5	.5	.5	.5	.5
CAPITAL	0	0	0	0	0	0
REVENUE	0	*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	.5	.5	.5	.5	.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	.5	.5	.5	.5	.5

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

The contractual services funds will pay for advertising for the design competition and invitation to bid for the contractor. We would require the contractor to fund the design competition prize. We have no way to estimate potential revenue from program.*

Prepared By: Bob Link
Division: General Services & Supply

Phone: 465-2250
Date: 1/23/87

Approved by Commissioner: Garrey Peska
Agency: Department of Administration

Date: 1/27/87

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

STATE OF ALASKA
THE LEGISLATURE

ANCHORAGE STATE CAPITOL
JUNEAU ALASKA 99801
407 465 2800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 26, 1987

SUBJECT: SSHB 10 - Limiting medallion design awards to
Alaska residents

TO: Representative Mike Davis

FROM: Keith B. Levy^{KBL}
Legislative Counsel

The provisions of SSHB 10 would require the Department of Administration to arrange for the minting and sale of gold and silver Alaska commemorative medallions. You have asked whether it would be unconstitutional to provide that the contest for the design of the medallions must be limited to Alaska residents. This proposal is similar to the concept of an Alaska bidder preference, except that it is more than a preference since it would completely preclude nonresidents from participating in the design contest. Such a provision could present constitutional problems under the federal privileges and immunities clause and the state and federal equal protection clauses.

In Irby-Northface v. Commonwealth Electric Co., 664 P.2d 557 (Alaska 1983), the Alaska Supreme Court considered an issue related to the Alaska bidder preference, but declined to address the question of whether the preference is unconstitutional. However, two dissenting justices expressed the opinion that a resident bidder preference is unconstitutional because it discriminates economically between residents and nonresidents without sufficient justification. The two dissenting justices based their opinion on Lynden Transport, Inc., v. State, 532 P.2d 700 (Alaska 1975). In that case the court struck down a statutory amendment which gave resident motor freight carriers certain rights not granted to nonresident motor freight carriers:

A discrimination between residents and non-residents based solely on the object of assisting the one class over the other economically can not be upheld under

Representative Davis
January 26, 1987
Page 2

either the privileges and immunities or equal protection clauses. . . .

Benefiting economic interests of residents over non-residents is not a purpose which may constitutionally vindicate legislation. . . .

Lynden, at 710 - 711. Under Lynden it would appear that any bidder preference is subject to challenge. Your proposal goes far beyond a bidder preference and therefore would be open to attack under the holding in Lynden.

In January of this year, the Alaska Supreme Court struck down Alaska's local hire law as violating the privileges and immunities clause of article IV, sec. 2, of the United States Constitution. Robison v. Francis, 713 P.2d 259 (Alaska 1986). Citing the United States Supreme Court, the court said:

The primary purpose of this clause is to prevent states from enacting measures which discriminate against non-residents for reasons of economic protectionism.

Robison, at 263. The court ruled that employment in the construction industry is a fundamental right subject to protection under the privileges and immunities clause. Robison, at 265. Since the state could not show that non-residents are a "peculiar source of the evil of unemployment," the court found there was insufficient justification for denying nonresidents the right of employment.

The Robison court did observe that the state is afforded greater deference in discriminating against nonresidents where it is acting as a "market participant" rather than a "market regulator." In manufacturing medallions, the state is certainly acting as a market participant. The argument could be made that the state has the right to limit the design of an Alaska commemorative medallion to Alaska residents, since the medallion is to be an artistic expression that is inherently Alaskan. Moreover, the state could argue, it is not limiting all state purchases to state residents, only those purchases that are specifically "Alaskan" in nature. On the other hand, the court could view the design award as just another procurement and it is clear, under the cases cited above, that the state cannot limit procurements entirely to Alaska residents.

representative Davis
January 26, 1987
Page 3

Accordingly, there is at least a risk that your proposal could be struck down if enacted into law.

You should note that as currently written, SSHB 10 requires only that the design be of "an Alaska theme." Otherwise, discretion in selecting the design is left to the Department of Administration. There is nothing to prevent the department from advertising the contest only in Alaska, increasing the likelihood that a state resident would be awarded the contract, without taking the chance of running afoul of the constitution.

If I may be of further assistance, please advise.

KBL:mkr
m8/049



Alaska State Legislature

Representative Mike Davis

P.O. Box V
Juneau, Alaska 99811
(907) 465-4930/4941

Interim Office:
P.O. Box 81435
Fairbanks, Alaska 99708

TO: Members of the Senate Finance Committee
FROM: Rep. Mike Davis *Mike*
DATE: May 9, 1987
RE: CSHB 10 (Fin) am; Relating to the minting and sale
of commemorative gold and silver medallions

CSHB 10 (Fin) directs the Department of Administration to arrange for the minting and sale of Alaska commemorative gold and silver medallions.

The purposes of CSHB 10 are: to increase awareness of the Alaskan mining industry within and outside of the state; to support Alaskan businesses; and to generate modest amounts of revenue for the general fund. Production and marketing of the medallions will be handled by the private sector. The state will receive a royalty from their sale.

The bill specifies that Alaskan gold and silver must be used in production. One side of the medallions will bear the state seal, and the other a design selected through an annual contest. Only designs using an Alaska theme and submitted by an Alaska resident may be considered in the contest. The winning artist may receive an award not to exceed \$1000.

Based on the popularity of gold coins being produced by the U.S. Mint, the increasing number of visitors to Alaska, and the interest in this legislation shown by precious metal dealers, it is believed that Alaska gold and silver pieces will be well received by the public. If CSHB 10 becomes law, Alaska will join Texas, California, and South Dakota in authorizing the production of state medallions.

Rep. Mike Davis
March 9, 1987

Sectional Analysis of CSHB 10 (Fin) am

An Act Relating to the Minting and Sale
of Commemorative Gold and Silver Medallions

Section 1 AS 44.09 is amended by adding a new section:

(a) Authorizes the Department of Administration to contract for the minting and sale of the medallions in weights determined by the commissioner. Gold and silver mined in Alaska must be used in the production of the medallions. The state shall receive a royalty from their sale to be determined by the commissioner.

(b) Governs the medallion design. One side of the medallions shall contain the state seal. The design for the other side shall be determined in an annual contest conducted by the contractor under the supervision of the Department. Only designs using an Alaska theme and submitted by an Alaska resident may be considered in the contest. Payment for the winning design may not exceed \$1,000.

(c) Requires the contractor to submit to the legislature an annual report of the production and sale of the medallions.

Section 2 Immediate effective date

March 9, 1987
Rep. Davis

Answers to Frequently Asked Questions About CSHB 10 (Fin) am

1. What are the objectives of CSHB 10?

The goals of CSHB 10 are to increase awareness of the Alaskan mining industry within and outside of our state, to support Alaskan businesses, and to generate modest amounts of revenue for the general fund.

2. Why use the word "medallion" instead of "coin"?

A "coin" is legal tender. Article I, Section 10 of the U.S. Constitution prohibits states from coining money.

3. What weight medallions will be issued?

CSHB 10 allows the Commissioner of the Department of Administration to determine which weights are most appropriate and marketable. One ounce and quarter ounce gold medallions and one ounce silver medallions will probably be desirable.

4. What will the retail price of the medallions be?

The retail price will be determined by the contractor who will take into account the cost of production and marketing, the royalty to the state, and his or her profit margin. The current price of gold U.S. Eagle coins is \$432.00 for one ounce, \$227.00 for one half ounce, \$119.00 for one quarter ounce, and \$52.50 for one tenth ounce. One ounce silver medallions generally cost less than \$30.00.

5. Why use .999 fine gold and silver?

The gold content of gold bullion pieces is ordinarily between .900 and .999.9. High gold content may make the Alaska medallions more appealing. Two of the most popular gold coins on the market, Canadian Maple Leaves and Chinese Pandas, are .999 fine (24 karats).

6. Can the medallions be produced in Alaska?

There is no mint in Alaska capable of refining and manufacturing bullion medallions. The Department of Administration intends to award a single bid for production and marketing of the medallions. An Alaskan firm could contract with an outside mint for their manufacture. Alaskans would receive the standard 5% bidder preference.

seems to me that death
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about."

"Family of Nations"

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By Michele Orzano

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Please turn to page 19



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"Few people know about the back of the seal. In 1961 the fighters of the Texas Revolution succeeded in getting the state to adopt the reverse," he said. The reverse shows the six states of Texas flanking three important events in Texas history: the Alamo, the "Come and Take It Cannon" and a broken lance representing the break with Mexico.

Vogt said the story behind the cannon is another interesting bit of Texas history. In the early 1830s, when Texas was still part of Mexico, the Comanche Indians were attacking the town of Goliad and the citizens asked the Mexican government for help in fending off the attacks.

The Mexican government sent a cannon for Goliad's defense. Then, during the Texas revolution when the Mexicans asked for the cannon back, the residents of Goliad told them to "Come and Take It," Vogt said, thus marking an important turnaround in the revolution. As the Texans fled from the advancing Mexican army, they took the cannon with them and buried it in the desert, never to be found, he said.

The fractional pieces will be in production by June 10, he said. All five pieces will be issued every year and the design and the date will change annually, he said.

He said the popularity of the bullion pieces will probably center in Texas although they are available all across the country.

"Most Texans are proud to be Texans and I feel these will be as popular an item as the [Canadian] Maple Leaf and [South African] Krugerrand," he said.

South Dakota considers

By the end of June, South Dakota residents will know the design to be used on the limited editions of 5-ounce gold, silver and bronze and the 1-ounce gold, silver and bronze bullion pieces.

That's the deadline date for entries from South Dakota artists to be submitted to the design contest, according to John Molsan, chairman of the centennial coin contest. The Great Seal of the State of South Dakota will grace the obverse and a design incorporating some aspect of South Dakota will be on the reverse.

Molsan said a \$1,000 prize will be given to the winning artist and Homestake Mining Co. will donate 1 ounce of gold to the winner. After the design is selected in a ceremony at the South Dakota Capital Building July 10, Tri-State Refining and Engineering in Sioux Falls, S.D., will begin striking and marketing the bullion pieces.

The bullion pieces will be sold in 5-ounce and 1-ounce sets of gold, silver and bronze and will be numbered for the limited editions. After those limited edition sets are produced, the remaining pieces will be struck and be 1.25 inches in diameter.

"We want to stay with collector interests but we also want to gear it towards something a grade school kid could have a souvenir of the centennial," he said. The pieces

authorized centennial jewelry to be made in the state of South Dakota Black Hills gold, he said.

A percentage of the proceeds will go toward construction of the Dakota Heritage Center to house the relics and other historic memorabilia of the state now stored in a leaky basement of a museum, Molsan said. With that as a goal, supporters are looking for this to be a long-term project, he said.

"We're at liberty to do whatever the market will bear," Molsan said. "We're billing this as the only state that produces and mines its own bullion pieces since we sell our gold to California."

By law individual states cannot strike legal tender coins, although they may strike commemorative medals or bullion pieces. According to Ken Gubin, general counsel for the U.S. Mint, many people misuse the word coin but the difference between a coin and a medal is the legal tender status of the coin.

Gubin said Article I, Section 10 of the U.S. Constitution specifically prohibits states from coining money and he called it "highly inadvisable" to use the term "coin" when referring to the state-issued bullion pieces.

He said if an advertisement for the product would contain the word "coin" it might be a matter for the U.S. Postal Service or the Secret Service to look into.

"The Mint does not have any enforcement powers so we would refer it to the appropriate agency," Gubin said. "While it is an easy enough mistake to make in advertising, you have to be a little bit more careful [in that] than in casual conversation."



COMMEMORATED—The official state fossil, the woolly mammoth, left, and the University of Alaska Museum at Fairbanks have been commemorated through the creation of a numbered set of gold and silver coins. Local artist Jim Behlke designed the coins, and money raised from their sale goes to the museum's endowment fund. The museum is the only natural history museum in Alaska.

Photos courtesy: UAFairbanks

Gold, silver coin set designates woolly mammoth state fossil

The Alaska Legislature made the woolly mammoth the official state fossil earlier this year, and that action is now being commemorated through the striking of a gold and silver coin set.

The idea to make the long-haired ancestor of the elephant the state fossil began with Ed McLaughlin of the University of Alaska-Fairbanks' School of Mineral Engineering. McLaughlin presented the concept to state Sen. Bettye Fahrenkamp, D-Fairbanks, who then drafted the necessary legislation and saw it through to approval.

The coins feature the words "University of Alaska Museum—Preserving Alaska's Heritage," and the mammoth on one side, and the university seal on the other. Five hundred gold and 4,000 silver coins have been struck and numbered.

Upon passage of the legislation, Jerry Cleworth of Alaska Rare Coin Investments approached the university with the idea of having a coin struck for the occasion and to highlight the work of the university's museum, the only natural history museum in the state.

Museum director, Dr. Basil Hedrick, obtained permission to use the Great Seal of the University of Alaska on the coins, and Fairbanks artist Jim Behlke was commissioned to draw the portrait of the woolly mammoth to be used on the coins. To his credit, Behlke worked with museum personnel to make the design as accurate as possible.

The coins feature the words "University of Alaska Museum—Preserving Alaska's



DISPLAYS GOLD COINS—Fairbanks artist Jim Behlke displays gold coins he designed to commemorate the naming of the woolly mammoth as the official state fossil. Money raised through the sale of the numbered coins will go to the University of Alaska Museum's endowment fund.

With files by Jim M...

Heritage," and the mammoth on one side, and the university seal on the other. Five hundred gold and 4,000 silver coins have been struck and numbered. They are now being sold at the museum's Rare Alaska Rare Coin Investments, and at 2000 1st Avenue, Fairbanks, with

copies from the sales donated to the museum's endowment fund. The silver coins can be ordered, and a set of gold and silver coins selected for only \$100. If you are interested in buying the coins or more information, call 479-1100 or write to University of Alaska Museum, 2000 1st Ave., Fairbanks, Alaska 99775.

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

3/9/87

DATE TURNED INTO OFFICE 3-16-87

Mr. President:

STATE AFFAIRS Committee considered CSHB 10(Fin)am

minting and sale of commemorative gold and silver medallions; efd.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

^{ms} do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)
 new updated or previous - House
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

1 Joe Fair
1 Rich Vel
1 Kirrie Hunter
1 Lee Josephson

Senator [Signature]
Chairman signature and recommendation

Committee Backup Attached

4B

10

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relation to Minting BRU: General Services & Supply
Commerative Coins
 Sponsor: Davis Components: Purchasing
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	*	*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

* We do not have any way of estimating the Revenue this Bill will generate.

Prepared By: Robert J. Link, Director *Robert J. Link* Phone: 465-2250
 Division: General Services & Supply Date: 1-19-88
 Approved by Commissioner: John M. Andrews *John M. Andrews* Date: 1/20/88
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: 1/20/88
Title: Minting and sale of commemorative gold and silver medallions
Sponsor: Davis
Requestor: Senate Rules

Agency Affected: Administration
BRU: General Services & Supply
Components: Purchasing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The \$500 requested can be absorbed in the department's operating budget.

Prepared by: Al Adams, Chairman *AAA* Phone: 465-3706
Division: House Finance Committee Date: 1/20/88

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer) :

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HOUSE COMMITTEE REPORT

(11)

Date referred: 2/11/87

FURTHER REFERRALS:

DATE: 2/24/87

The Finance Committee has considered HB 10

"An Act relating to the minting and sale of commemorative gold coins; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 10 (Fin) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

ADAMS Albert R. Adams

FOURCHON Pat Fourchon

LARSON Ronald J. Larson

GOLL Peter Goll

WACKER Mark Wacker

BOYER Mark Boyer

RIEGER Steve Rieger

FRANK Frank

BROWN Tom Brown

DAVIS Mike Davis

SIGNING OTHER RECOMMENDATIONS:

WALLIS Key Walker no rec

Albert R. Adams
Chairman's signature

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 10 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the minting and sale of commem-
7 orative gold and silver medallions; and providing for
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 44.09 is amended by adding a new section to read:

11 Sec. 44.09.017. COMMEMORATIVE GOLD AND SILVER MEDALLIONS. (a)

12 The Department of Administration shall contract or otherwise arrange
13 for the minting and sale of Alaska commemorative medallions minted
14 only from .999 fine gold and silver in weights determined by the
15 commissioner of administration. Gold and silver mined in Alaska shall
16 be used in the production of the medallions. The state shall receive
17 a royalty from the sale of the medallions. The amount of the royalty
18 shall be determined by the commissioner of administration.

19 (b) One side of the commemorative medallions minted under this
20 section shall contain the state seal. The design for the other side
21 shall be determined in an annual contest conducted by the contractor
22 under the supervision of the Department of Administration. Only
23 designs using an Alaska theme may be considered in the contest.
24 Payment for the winning design may not exceed \$1,000.

25 (c) No later than January 20 of each year, the contractor shall
26 submit to the legislature a report on the production and sale of
27 medallions under this section.

28 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: CSHB 10(FIN)
Publish Date: _____

REQUEST: _____

Revision Date: 2/21/87
Title: Minting and sale of commemorative
gold and silver medallions
Sponsor: Davis
Requestor: House Finance Committee

Agency Affected: Administration
BRU: General Services & Supply
Components: Purchasing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

The \$500 requested can be absorbed in the department's operating budget.

Prepared by: Al Adams, Chairman ^{AP-1} Phone: 465-3706
Division: House Finance Committee Date: 2/21/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Rec'd 3-17-87
 R10 2-24-87

STATE OF ALASKA 1987 LEGISLATIVE SESSION
 FISCAL NOTE

Bill Version: CSHB 10 (Finance) CA
 Publish Date: _____

REQUEST _____

Revision Date: March 12, 1987 Agency Affected: Department of Administration
 Title: An act relating to minting commemorative coins BRU: General Services & Supply
 Sponsor: Representative Davis Components: Purchasing
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	*	*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:	0	0	0	0	0	0
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

* We do not have any way of estimating the revenue this bill will generate.

Prepared By: Robert J. Link, Director *Robert J. Link* Phone: 465-2250
 Division: General Services & Supply Date: _____

Approved by Commissioner: Garrey Peska *Garrey Peska* Date: 3/87
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)
 Senate Secretary

RECEIVED
 MAR 16 1987

LEGISLATIVE FINANCE

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 10 - SA
Publish Date: _____

REQUEST _____

Revision Date: February 20, 1987
Title: An Act Relating To Minting
Commemorative Coins

Agency Affected: Department of Administration
BRU: General Services & Supply

Sponsor: Davis
Requestor: _____

Components: Purchasing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	.5	.5	.5	.5	.5
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	.5	.5	.5	.5	.5
CAPITAL	0	0	0	0	0	0
REVENUE	0	*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	.5	.5	.5	.5	.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	.5	.5	.5	.5	.5

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

The contractual services funds will pay for advertising for the Invitation to Bid for the contractor. We would require the contractor to fund the design competition and artist payment. We have no way to estimate potential revenue from program.

Prepared By: Bob Link *Bob Link* Phone: 465-2250
Division: General Services & Supply Date: _____

Approved by Commissioner: Garrey Peska *Garrey Peska* Date: 2/23/87
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

FEB 24 1987

LEGISLATIVE FINANCE

Rev. 01/23/87

14/1101/0123-05

Original sponsors: Davis, Koponen,
Hudson and Hanley

Changes from St. Affairs CS:
[] = deleted language
_____ = added language

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 10 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the minting and sale of commem-
7 orative gold and silver medallions; and providing for
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 44.09 is amended by adding a new section to read:

11 Sec. 44.09.017. COMMEMORATIVE GOLD AND SILVER MEDALLIONS. (a)

12 The Department of Administration shall contract or otherwise arrange
13 for the minting and sale of Alaska commemorative medallions minted
14 only from .999 fine gold and silver in weights determined by the
15 commissioner of administration. Gold and silver mined in Alaska shall
16 be used in the production of the medallions. The state shall receive
17 a royalty from the sale of the medallions. The amount of the royalty
18 shall be determined by the commissioner of administration.

19 (b) One side of the commemorative medallions minted under this
20 section shall contain the state seal. The design for the other side
21 shall be determined in an annual contest conducted by the contractor
22 under the supervision of the Department of Administration. Only
23 designs using an Alaska theme ^{AND SUBMITTED BY ALASKAN RESIDENTS} may be considered in the contest.
24 Payment for the winning design may not exceed \$1,000. ^{5% OF THE REVENUE GENERATED FROM MEDALLION SALES.}

25 (c) No later than January 20 of each year, the contractor shall
26 submit to the legislature a report on the production and sale of
27 medallions under this section.

28 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).
29



Alaska State Legislature

Representative Mike Davis

P.O. Box V
Juneau, Alaska 99811
(907) 465-4930/4941

Interim Office:
P.O. Box 81435
Fairbanks, Alaska 99708

TO: All Interested Persons

FROM: Rep. Mike Davis

DATE: February 23, 1987

RE: CSHB 10 (Fin); Relating to the minting and sale
of commemorative gold and silver medallions

This legislation directs the Department of Administration to arrange for the minting and sale of Alaska commemorative gold and silver medallions. The bill specifies that Alaskan gold and silver must be used in their production. One side of the medallions will bear the state seal, and the other a design selected through an annual contest. The state will receive a royalty from the sale of the medallions.

The purposes of CSHB 10 are to increase awareness of the Alaskan mining industry within and outside of the state, to support Alaskan businesses, and to generate modest amounts of revenue for the general fund. It is the intent of the sponsor that production and marketing of the medallions be handled by the private sector. Royalties from their sale should exceed the cost of the program to the state.

Based on the popularity of gold coins being produced by the U.S. Mint, the increasing number of visitors to Alaska, and the interest in this legislation shown by precious metal dealers, it is believed that Alaska gold and silver pieces would be well received by the public. If CSHB 10 were passed, Alaska would join Texas, California, and South Dakota in authorizing the production of state medallions.

February 23, 1987
Rep. Davis

Answers to Frequently Asked Questions About CSHB 10 (Fin)

1. What are the objectives of CSHB 10?

The goals of CSHB 10 are to increase awareness of the Alaskan mining industry within and outside of our state, to support Alaskan businesses, and to generate modest amounts of revenue for the general fund.

2. Why use the word "medallion" instead of "coin"?

A "coin" is legal tender. Article I, Section 10 of the U.S. Constitution prohibits states from coining money.

3. What weight medallions will be issued?

CSHB 10 allows the Commissioner of the Department of Administration to determine which weights are most appropriate and marketable. One ounce and quarter ounce gold medallions and one ounce silver medallions will probably be desirable.

4. What will the retail price of the medallions be?

The retail price will be determined by the contractor who will take into account the cost of production and marketing, the royalty to the state, and his or her profit margin. The current price of gold U.S. Eagle coins is \$432.00 for one ounce, \$227.00 for one half ounce, \$119.00 for one quarter ounce, and \$52.50 for one tenth ounce. One ounce silver medallions generally cost less than \$30.00.

5. Why use .999 fine gold and silver?

The gold content of gold bullion pieces is ordinarily between .900 and .999.9. High gold content may make the Alaska medallions more appealing. Two of the most popular gold coins on the market, Canadian Maple Leaves and Chinese Pandas, are .999 fine (24 karats).

6. Can the medallions be produced in Alaska?

There is no mint in Alaska capable of refining and manufacturing bullion medallions. The Department of Administration intends to award a single bid for production and marketing of the medallions. An Alaskan firm could contract with an outside mint for their manufacture. Alaskans would receive the standard 5% bidder preference.

7. Can participation in the design contest be limited to Alaskan residents?

Legislative Counsel has advised the sponsor that preclusion of non-residents could present constitutional problems under the federal privileges and immunities clause and the state and federal equal protection clauses.

8. Why is payment for the winning design limited to \$1,000?

The \$1,000 cap is in keeping with the sponsors' intent that the state's initial investment in the program be held to a minimum. A gift of the first gold medallion, or a cash award, would be sufficient to attract Alaskan artists.

Rep. Mike Davis
February 23, 1987

Sectional Analysis of CSHB 10 (Fin)

An Act Relating to the Minting and Sale
of Commemorative Gold and Silver Medallions

Section 1 AS 44.09 is amended by adding a new section:

(a) Authorizes the Department of Administration to contract for the minting and sale of the medallions in weights determined by the commissioner. Gold and silver mined in Alaska must be used in the production of the medallions. The state shall receive a royalty from their sale to be determined by the commissioner.

(b) Governs the medallion design. One side of the medallions shall contain the state seal. The design for the other side shall be determined in an annual contest conducted by the contractor under the supervision of the Department. Payment for the winning design may not exceed \$1,000.

(c) Requires the contractor to submit to the legislature an annual report of the production and sale of the medallions.

Section 2 Immediate effective date

POSITION PAPER
HB 10

The bill requires the Department of Administration to contract for the production and distribution of Alaskan commemorative medallions.

We would issue an Invitation to Bid which required the successful contractor to be responsible for securing the Alaskan gold, producing the medallions, promoting and selling the medallions and paying the State a royalty. Additionally, we would be required to hold an annual design contest for the medallions.

We have no way of calculating any potential revenue, but believe it could equal or exceed advertising costs.

Bob Link
Robert J. Link, Director
Division of General Services & Supply

1/26/87
Date

Garrey Peska
Commissioner Garrey Peska
Department of Administration

1/27/87
Date

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 26, 1987

SUBJECT: SSBH 10 - Limiting medallion design awards to
Alaska residents

TO: Representative Mike Davis

FROM: Keith B. Levy ^{KBL}
Legislative Counsel

The provisions of SSBH 10 would require the Department of Administration to arrange for the minting and sale of gold and silver Alaska commemorative medallions. You have asked whether it would be unconstitutional to provide that the contest for the design of the medallions must be limited to Alaska residents. This proposal is similar to the concept of an Alaska bidder preference, except that it is more than a preference since it would completely preclude nonresidents from participating in the design contest. Such a provision could present constitutional problems under the federal privileges and immunities clause and the state and federal equal protection clauses.

In Irby-Northface v. Commonwealth Electric Co., 664 P.2d 557 (Alaska 1983), the Alaska Supreme Court considered an issue related to the Alaska bidder preference, but declined to address the question of whether the preference is unconstitutional. However, two dissenting justices expressed the opinion that a resident bidder preference is unconstitutional because it discriminates economically between residents and nonresidents without sufficient justification. The two dissenting justices based their opinion on Lynden Transport, Inc., v. State, 532 P.2d 700 (Alaska 1975). In that case the court struck down a statutory amendment which gave resident motor freight carriers certain rights not granted to nonresident motor freight carriers:

A discrimination between residents and non-residents based solely on the object of assisting the one class over the other economically can not be upheld under

either the privileges and immunities or equal protection clauses. . . .

Benefiting economic interests of residents over non-residents is not a purpose which may constitutionally vindicate legislation. . . .

Lynden, at 710 - 711. Under Lynden it would appear that any bidder preference is subject to challenge. Your proposal goes far beyond a bidder preference and therefore would be open to attack under the holding in Lynden.

In January of this year, the Alaska Supreme Court struck down Alaska's local hire law as violating the privileges and immunities clause of article IV, sec. 2, of the United States Constitution. Robison v. Francis, 713 P.2d 259 (Alaska 1986). Citing the United States Supreme Court, the court said:

The primary purpose of this clause is to prevent states from enacting measures which discriminate against non-residents for reasons of economic protectionism.

Robison, at 263. The court ruled that employment in the construction industry is a fundamental right subject to protection under the privileges and immunities clause.

Robison, at 265. Since the state could not show that non-residents are a "peculiar source of the evil of unemployment," the court found there was insufficient justification for denying nonresidents the right of employment.

The Robison court did observe that the state is afforded greater deference in discriminating against nonresidents where it is acting as a "market participant" rather than a "market regulator." In manufacturing medallions, the state is certainly acting as a market participant. The argument could be made that the state has the right to limit the design of an Alaska commemorative medallion to Alaska residents, since the medallion is to be an artistic expression that is inherently Alaskan. Moreover, the state could argue, it is not limiting all state purchases to state residents, only those purchases that are specifically "Alaskan" in nature. On the other hand, the court could view the design award as just another procurement and it is clear, under the cases cited above, that the state cannot limit procurements entirely to Alaska residents.

Representative Davis
January 26, 1987
Page 3

Accordingly, there is at least a risk that your proposal could be struck down if enacted into law.

You should note that as currently written, SSHB 10 requires only that the design be of "an Alaska theme." Otherwise, discretion in selecting the design is left to the Department of Administration. There is nothing to prevent the department from advertising the contest only in Alaska, increasing the likelihood that a state resident would be awarded the contract, without taking the chance of running afoul of the constitution.

If I may be of further assistance, please advise.

KBL:mkr
m8/049



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

December 3, 1986

MEMORANDUM

TO: Representative Alyce Hanley

ATTN: Cassie Russell

FROM: Mary Jennings *MJ*
Legislative Analyst

RE: State-Issued Bullion Pieces
Research Request 87.039

You requested information regarding the production of state-issued bullion pieces in California, South Dakota and Texas. You requested that we determine the following: what legislation and regulations in conjunction with the legislation were required to institute the programs; how the state share of the proceeds is determined and if state proceeds from the program are applied to a specific program area; who mints the pieces and how the mints were chosen; how the design for the pieces was chosen; what metals are used; how the prices are set; the sizes of pieces that are being produced; how the piece dealers are chosen; what type of record keeping system is utilized between the state and the dealers; and how the pieces are being marketed.

California

Legislation. During 1982, the state of California adopted sections 7551 through 7556 of the State Government Code, which allow the state to contract with a mint for the production of commemorative gold medallions.¹ On May 15, 1984, Rarities Mint of Anaheim, the only mint expressing interest in the program, was awarded a five-year production contract. The California Department of General Services State Office of Procurement drafted the contract and administers the program.

¹State-issued bullion pieces may be referred to as bullion, medallions, or bullion medallions. The pieces may not be called coins, a term which can be used only for federally issued bullion pieces.

Design. According to Jeannine Gendar of the Office of Procurement of the Department of General Services, the design for the medallions was chosen by the legislature and consists of the Great Seal of the State of California on one side and the State Bear, the term "California Gold", the date, the mint mark, the size, the term ".999 fine", and 31 small stars on the other. The coins are minted in one-ounce, half-ounce, quarter-ounce and tenth-ounce weights. The prices for the medallions are set by the mint and reflect the market value of gold plus the cost of production. The medallions are exempt from sales tax.

Royalties. The state receives the following royalties for the medallions: one ounce, four dollars; half ounce, two dollars; quarter ounce, one dollar; and tenth ounce, fifty cents. Proceeds are deposited into the General Fund. Sales of the medallions began during August of 1984 and as of November 1, 1986, California has received \$71,000 in royalties from the sale of 17,900 ounces of gold. Royalties, which are paid in advance, are based upon a monthly production schedule submitted to the Department by Rarities. Rarities also submits a monthly statement of the number of medallions actually minted, including sizes and serial numbers. The mint must furnish a yearly statement detailing sales. The department reserves the right to audit all records.

Marketing. Rarities conducts and pays for the cost of all marketing and advertising of the medallions although the state sets certain guidelines. The contract states that the advertising must be aggressive and on the national level in the advertising medium of Rarities' choice. All advertising is submitted to the department before publication for review.

South Dakota

Legislation. During 1985, the South Dakota Legislature passed Senate Bill 191, which allows the state to contract with a South Dakota mint for the production of bullion pieces. Two bullion programs are currently being developed. One program, aimed at South Dakota residents, will offer gold, silver, and bronze medallions commemorating the state's centennial and the other will offer gold and silver bullion on a national level. Production is planned to begin in early 1987. The State Bureau of Administration, which oversees the programs, is currently in the process of drafting a contract with Tri-State Refining and Investment, the only mint in South Dakota.

Design. Commemorative medallions will be issued in five-ounce, one-ounce and half-ounce weights and will be sold singly and in sets. Jewelry and belt buckles will also be produced. All medallions will bear the state seal on the front and a mother and child standing on the prairie on the reverse. The reverse side design was obtained in a contest open only to South Dakota residents. The medallion will be produced through 1989, the state's centennial.

Representative Hanley
December 3, 1986
Page 3

The national program of gold and silver bullion is legislated to be a permanent program. The pieces will be minted with the state seal on one side and a bison on the reverse. The bison, which was second in the commemorative design contest, was chosen at the discretion of the bureau. Five, two, one, one-half, one-fourth, and one-tenth ounce pieces will be minted.

Royalties. Under the terms of the contract, Tri-State will present a monthly statement of sales to the mint and pay royalties based on a percentage of the wholesale price of pieces sold. According to Mr. Moisan of the Bureau of Administration, the percentage has not yet been determined. The price, which will be set by the mint, will reflect the market value of the metals plus production costs. The bureau will have the right to audit all records.

The proceeds from the sale of the programs will go to the construction of the Cultural Heritage Center in Pierre, South Dakota. The project is estimated to cost \$6 million. The legislature will determine other uses for the royalties when financing for construction of the center has been fulfilled.

Marketing. Under the terms of the contract, the state will assist Tri-State with the marketing of the commemorative medallions. The marketing of the bullion pieces will be performed solely by the mint under guidelines set by the state. The contract lists two nationally known dealers that the mint must contact and also names several newspapers that the mint must utilize for advertising. The contract also states that the mint must use radio and television. All advertisement must be sent to the Bureau of Administration for approval.

Texas

Legislation. During May of 1985, the Texas Legislature adopted Senate Bill 1002, which created a program for production of materials to commemorate the Texas Sesquicentennial during 1986. A section of the bill allowed for the state to contract with private manufacturers for the production of gold and silver bullion medallions. The Texas Sesquicentennial Commission, which administers the program, contracted with Colonial Coins and Silver Creations, both of Texas, to strike the pieces. The contracts are scheduled to be renewed January 1, 1987. If no additional legislation is passed, the program will end on June 30, 1987.

Design. The legislation mandates that all pieces depict the front and back of the Great Seal of the State of Texas, which is a star on the front and the six flags of Texas on the back. The pieces are also inscribed with .999 fine, the weight, 1986 and the mint mark. One-ounce, half-ounce, quarter-ounce and tenth-ounce gold pieces and a one-ounce silver piece are being produced.

Representative Hanley
December 3, 1986
Page 4

Royalties. The mints present a monthly sales statement to the state and pay royalties of two percent of the wholesale price of the pieces sold. The price reflects the current market value of the metals plus production costs. The pieces are exempt from state sales tax. Sales of the gold bullion began in July of 1986 and the silver was offered for sale in September. According to Joanne Brown, Marketing Product Director for the commission, the state has received approximately \$4,500 in royalties thus far. As mandated by the legislation, the proceeds from the sale of all sesquicentennial products go to the Sesquicentennial Fund, which is divided equally between the Texas Tourism Commission and the Texas Commission on the Arts.

Marketing. The mints are responsible for the marketing and advertising of the bullion. All advertising must be approved by the commission 30 days before publication. The advertising medium is at the discretion of the mints.

* * * *

I hope you find this information useful. I have attached pertinent legislation and a copy of the production contract from California. I have requested similar materials from South Dakota and Texas and I will forward them to you when I receive them. I have also attached a newspaper article regarding gold and silver medallions being offered by the University of Alaska. Please feel free to contact me if you have any questions.

MJ

Attachments

seems to me that dead
ly. Marketing, period, is all they seem concern
about."

"Family of Europe"

States strike up gold bullion piece presses

By Michele Orzano

South Dakota may soon join California and Texas as a producer of bullion pieces. The appeal of royalties being deposited in the state's treasury and the chance to commemorate historically significant events in the state has enhanced the idea of state-issued bullion pieces.

Both California and Texas bullion pieces are exempt from state taxes while South Dakota has yet to tackle that question. California bullion pieces have been on the market for more than a year while Texas just released its first bullion piece in early May. South Dakota is in the process of conducting a statewide design contest and expects to release its first bullion piece

sometime during the state's centennial in 1989.

The producers of the California pieces think it is fitting that California was the first state to issue its own bullion pieces since California was the origin of the 1840s Gold Rush. Collectors and investors can buy California Gold in 1-ounce, half-ounce, quarter-ounce and soon a tenth-ounce size. The California legislature authorized the production of gold bullion pieces in 1983 in an effort to bring more revenue into a sagging state treasury, according to Ian Simpson, president of Rarities Mint which has a contract to strike the pieces.

California — whose nickname the "Golden State" can still evoke images of scruffy miners hauling sacks of gold into the town assay office — has survived the waves of dreamers whose eyes reflected the gold they envisioned hidden just a shovel scratch away. Now more than 100 years later and several hundred miles to the south of where it all started, is the Rarities Mint in Anaheim which produced some 12,000 pieces of California Gold in 1985.

Seeks Japanese outlets

"We strike as many as we can sell. We only struck 500 in 1984 because it was around the time of the Olympics," Simpson said. "Once the one-tenth ounce is released we will be selling it in Japan to compete in their 'gold rush' they are experiencing."

The California general fund receives \$4 for each

ounce of California Gold sold, Simpson said, but added he would like to see those royalties go to a more specific fund, something for the handicapped or elderly. He said legislation is being discussed now to direct the legislature towards that goal.

Although the original legislation mandated only California-mined gold be used in the production of the pieces, Simpson said the law was recently amended to allow purchase of gold from any American based mine. In keeping with the theme of a strong California and America, the obverse features the California brown bear while the reverse bears the Great Seal of the State of California.

Please turn to page 19



California Gold is among several state-issued gold bullion pieces.



Texas has entered the gold bullion piece market with this six flags design.



States use gold to inflate state coffers



For the 1986 issues, Simpson said the bear design has been modified to make the bear appear bolder looking and the 31 stars surrounding the bear will appear more three dimensional. The issue date will be at the bottom of the obverse rather than to the side as in previous issues.

"We envision these will surpass the popularity of the [Chinese] Panda [gold bullion coin] — it's a piece of American history," Simpson said. "We like to document history in story format."

The bullion pieces are sold nationwide by coin dealers and direct from the Rarities Mint. Simpson said he does not believe the upcoming U.S. bullion coins will hinder the sale of California Gold because his product is not monetized and is pure gold (the U.S. coins will have a fineness of .917, but will contain a full measure of pure gold). The price is spot plus 4.5 percent which averages out to \$15 to \$18 over spot, he said.

Rarities also issues California Gold Proof sets on a limited basis with 1,000 sets in 1986.

Texas bullion pieces

Texas is hoping the increased interest in U.S. gold bullion pieces will continue and help sales of the Texas gold and silver bullion pieces released this year.

The 1-ounce bullion pieces are making their debut in Texas to coincide with the state's Independence Sesquicentennial which makes the prospect of boosting the Texas Historical Society's bank account nearly a sure thing.

That is where the profits from the sale of the Texas pieces is to go, according to legislation authorizing the 1-ounce silver and the gold 1-ounce, half-ounce, quarter-ounce and tenth-ounce sizes.

Dr. G.W. Vogt of Colonial Coins in Houston, which has the contract to strike the pieces, says public interest has been good considering the pieces just recently became available. All five pieces depict the front and back of the Great Seal of the State of Texas.

"Few people know about the back of the seal. In 1961 the daughters of the Texas Revolution succeeded in getting the state to adopt the reverse," he said. The reverse shows the six flags of Texas flanking three important events in Texas history: the Alamo, the "Come and Take It Cannon" and a broken yoke representing the break with Mexico.

Vogt said the story behind the cannon is another interesting bit of Texas history. In the early 1830s, when Texas was still part of Mexico, the Comanche Indians were attacking the town of Goliad and the citizens asked the Mexican government for help in fending off the attacks.

The Mexican government sent a cannon for Goliad's defense. Then, during the Texas revolution when the Mexicans asked for the cannon back, the residents of Goliad told them to "Come and Take It," Vogt said, thus marking an important turnaround in the revolution. As the Texans fled from the advancing Mexican army, they took the cannon with them and buried it in the desert, never to be found, he said.

The fractional pieces will be in production by June 10, he said. All five pieces will be issued every year and the design and the date will change annually, he said.

He said the popularity of the bullion pieces will probably center in Texas although they are available all across the country.

"Most Texans are proud to be Texans and I feel these will be as popular an item as the [Canadian] Maple Leaf and [South African] Kruggerand," he said.

South Dakota considers

By the end of June, South Dakota residents will know the design to be used on the limited editions of 5-ounce gold, silver and bronze and the 1-ounce gold, silver and bronze bullion pieces.

That's the deadline date for entries from South Dakota artists to be submitted to the design contest, according to John Molsan, chairman of the centennial coin contest. The Great Seal of the State of South Dakota will grace the obverse and a design incorporating some aspect of South Dakota will be on the reverse.

Molsan said a \$1,000 prize will be given to the winning artist and Homestake Mining Co. will donate 1 ounce of gold to the winner. After the design is selected in a ceremony at the South Dakota Capital Building July 10, Tri-State Refining and Engineering in Sioux Falls, S.D., will begin striking and marketing the bullion pieces.

The bullion pieces will be sold in 5-ounce and 1-ounce sets of gold, silver and bronze and will be numbered for the limited editions. After those limited edition sets are produced, the remaining pieces will be struck and be 1.25 inches in diameter.

"We want to stay with collector interests but we also want to gear it towards something a grade school kid could have a souvenir of the centennial," he said. The leg

authorized centennial jewelry to be made in the state. South Dakota Black Hills gold, he said.

A percentage of the proceeds will go toward construction of the Dakota Heritage Center to house the relics and other historic memorabilia of the state now stored in a leaky basement of a museum, Molsan said. With that as a goal, supporters are looking for this to be a long-term project, he said.

"We're at liberty to do whatever the market will bear," Molsan said. "We're billing this as the only state that produces and mines its own bullion pieces since we sell our gold to California."

By law individual states cannot strike legal tender coins, although they may strike commemorative medals or bullion pieces. According to Ken Gubin, general counsel for the U.S. Mint, many people misuse the word coin but the difference between a coin and a medal is the legal tender status of the coin.

Gubin said Article I, Section 10 of the U.S. Constitution specifically prohibits states from coining money and he called it "highly inadvisable" to use the term "coin" when referring to the state-issued bullion pieces.

He said if an advertisement for the product would contain the word "coin" it might be a matter for the U.S. Postal Service or the Secret Service to look into.

"The Mint does not have any enforcement powers so we would refer it to the appropriate agency," Gubin said. "While it is an easy enough mistake to make in advertising, you have to be a little bit more careful [in that] than in casual conversation."



COMMEMORATED—The official state fossil, the woolly mammoth, left, and the University of Alaska Museum at Fairbanks have been commemorated through the creation of a numbered set of gold and silver coins. Local artist Jim Behlke designed the coins, and money raised from their sale goes to the museum's endowment fund. The museum is the only natural history museum in Alaska.

Photos courtesy UAF Fairbanks

Gold, silver coin set designates woolly mammoth state fossil

The Alaska Legislature made the woolly mammoth the official state fossil earlier this year, and that action is now being commemorated through the striking of a gold and silver coin set.

The idea to make the long-haired ancestor of the elephant the state fossil began with Ed McLaughlin of the University of Alaska-Fairbanks School of Mineral Engineering. McLaughlin presented the concept to state Sen. Bettye Fahrenkamp, D-Fairbanks, who then drafted the necessary legislation and saw it through to approval.

The coins feature the words "University of Alaska Museum—Preserving Alaska's Heritage," and the mammoth on one side, and the university seal on the other. Five hundred gold and 4,000 silver coins have been struck and numbered.



DISPLAYS GOLD COINS—Fairbanks artist Jim Behlke displays gold coins he designed to commemorate the naming of the woolly mammoth as the official state fossil. Money raised through the sale of the numbered coins will go to the University of Alaska Museum's endowment fund.

Upon passage of the legislation, Jerry Cleworth of Alaska Rare Coin Investments approached the university with the idea of having a coin struck for the occasion and to highlight the work of the university's museum, the only natural history museum in the state.

Museum director Dr. Basil Behre, obtained permission to use the Great Seal of the University of Alaska on the coins, and Fairbanks artist Jim Behlke was commissioned to draw the portrait of the woolly mammoth to be used on the coins. To this end, Behlke worked with museum personnel to make the drawing as accurate as possible.

The coins feature the words "University of Alaska Museum—Preserving Alaska's

Heritage," and the mammoth on one side, and the university seal on the other. Five hundred gold and 4,000 silver coins have been struck and numbered. They are now being sold at the museum's Rare Alaska Rare Coin Investment Dept. at 1000 Fairbanks Blvd. in Fairbanks.

Money from the sale is being placed in the museum's endowment fund. The silver coins are being sold for \$10 each, and the gold coins for \$100 each. The coins are being sold through the Rare Alaska Rare Coin Investment Dept. at 1000 Fairbanks Blvd. in Fairbanks.

Original sponsors: Davis, Koponen,
Hudson and Hanley

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 10 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the minting and sale of commem-
7 orative gold and silver medallions; and providing for
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 44.09 is amended by adding a new section to read:

11 Sec. 44.09.017. COMMEMORATIVE GOLD AND SILVER MEDALLIONS. (a)

12 The Department of Administration shall contract or otherwise arrange
13 for the minting and sale of Alaska commemorative medallions minted
14 only from .999 fine gold and silver in weights determined by the
15 commissioner of administration. Gold and silver mined in Alaska shall
16 be used in the production of the medallions. The state shall receive
17 a royalty from the sale of the medallions. The amount of the royalty
18 shall be determined by the commissioner of administration.

19 (b) One side of the commemorative medallions minted under this
20 section shall contain the state seal. The design for the other side
21 shall be determined in an annual contest conducted by the contractor
22 under the supervision of the Department of Administration. Only
23 designs using an Alaska theme and submitted by Alaska residents may be
24 considered in the contest. Payment for the winning design may not
25 exceed five percent of the revenue generated from medallion sales.

26 (c) No later than January 20 of each year, the contractor shall
27 submit to the legislature a report on the production and sale of
28 medallions under this section.

29 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

Introduced: 1/19/87
Referred: State Affairs and
Finance

BY DAVIS, KOPONEN, HUDSON
AND HANLEY

1 IN THE HOUSE

2 HOUSE BILL NO. 10

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the minting and sale of commem-
7 orative gold coins; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 44.09 is amended by adding a new section to read:

11 Sec. 44.09.017. COMMEMORATIVE GOLD COINS. (a) The Department
12 of Administration shall contract or otherwise arrange for the minting
13 and sale of Alaska commemorative coins in one ounce, one-half ounce,
14 and one-quarter ounce weights, minted only from .999 fine gold pro-
15 duced in the state.

16 (b) One side of the commemorative coins minted under this sec-
17 tion shall contain the state seal. The design for the other side
18 shall be determined in an annual contest conducted by the Department
19 of Administration. Only designs using an Alaska theme may be con-
20 sidered in the contest. Payment for the winning design may not exceed
21 \$1,000.

22 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

HB

12

HOUSE COMMITTEE REPORT

file

(11)

Date referred: 3/20/87

FURTHER REFERRALS:

DATE: 4/1/87

The Finance Committee has considered HB 12

"An Act relating to limiting certain kinds of credited service in the Teacher's Retirement System; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 2/9/87
- zero with analysis

SIGNING DO PASS:

Steve King

Ronald J. [unclear]

Key Wallis

SIGNING OTHER RECOMMENDATIONS:

Mike Davis

Har Brown - No Rec

[unclear] - No Rec

Har [unclear] No Rec

[unclear] No Rec

[unclear] No Rec

[Signature]

 Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTEBill Version: HB 12
Publish Date: HOUSE 2/9/87REQUESTRevision Date: Bill/Res No: HB 12
Title: An Act relating to limiting
certain kinds of credited service in the TRS
Sponsor: Larson
Requestor: _____Agency Affected: Administration
BRU: Retirement and BenefitsComponents: Retirement and Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER I/A & PGM RCPTS	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

An analysis of the impact of this bill on the actuarial soundness of the Teachers' Retirement System (TRS) funds is provided in the attached letter to Representative Ulmer.

Prepared By: John A. LoganDivision: Retirement and Benefits

Phone: (907) 465-4470

Date: February 3, 1987Approved by Commissioner: Garrey PeskaAgency: Department of AdministrationDate: 2/5/87

Distribution (by preparer):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

Senate Secretary

Public Employees Retirement System
 Teachers Retirement System
 Judicial Retirement System
 Elected Public Officers Retirement System
 National Guard Retirement System
 Territorial Retirement System
 Retirees Voluntary Dental-Vision-Audio Plan
 Supplemental Benefits System
 Group Health/Life Insurance Benefits
 Deferred Compensation Plan
 Public Employers Social Security Contributions

DEPARTMENT OF ADMINISTRATION
DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
 JUNEAU, ALASKA 99811-0203
 PHONE: (907)465-4460

2600 DENALI ST. SUITE 401
 ANCHORAGE, ALASKA 99503
 PHONE (907) 277-7504

STEVE COWPER, GOVERNOR

February 5, 1987

HB 12 Page 2 of 3 2/9/87

The Honorable Fran Ulmer
 Chairman, House State Affairs Committee
 Alaska State Legislature
 P.O. Box V
 Juneau, AK 99811

Dear Representative Ulmer:

Re: House Bill 12

In accordance with AS 24.08.036, I am providing the analysis below on House Bill 12. The analysis includes the long-term and short-term savings to the state if the bill is adopted and the impact the bill will have on the actuarial soundness of the Teachers' Retirement System (TRS) funds.

This bill would reduce the amount of non-membership service that may be claimed in the TRS to a maximum of three years for members first hired on or after July 1, 1987. It is estimated to result in a .02% decrease in the TRS state contribution rate in FY 88. The state TRS payroll is estimated to be \$48,498,325 in FY 88 and to remain level each year thereafter. The TRS state match contribution rate would also decrease by .02% in FY 88. The TRS state match payroll is estimated to be \$345,200,891 in FY 88 and to remain level each year thereafter.

The savings of \$78.8 is calculated as follows:

The decrease in the TRS contribution rate (.02%) times the estimated FY 88 University of Alaska TRS payroll (\$43,057,037) equaling:	[\$ 8.6]
Plus the decrease in the TRS contribution rate (.02%) times the estimated FY 88 Department of Education TRS payroll (\$5,441,288) equaling:	[\$ 1.1]
Plus the decrease in the TRS state match contribution rate (.02%) times the estimated FY 88 TRS state match payroll (\$345,200,891) equaling:	<u>[\$ 69.0]</u>
Total state FY 88 savings	<u>[\$ 78.7]</u>

The Honorable Fran Ulmer

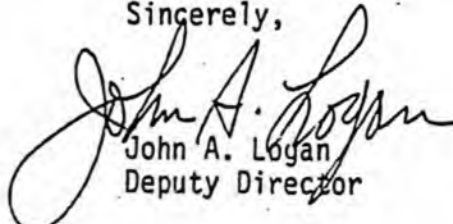
-2-

February 5, 1987

In addition to the state savings described above, there would be a decrease in the school districts' contribution rates of .02% which would result in savings of \$59.3 for FY 88 and each year thereafter.

There will not be any adverse impact on the actuarial soundness of the retirement systems funds if this bill becomes law.

Sincerely,



John A. Logan
Deputy Director

JAL/cam/7

POSITION PAPER

HB 12

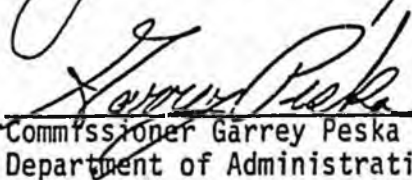
This bill applies to members of the Teachers' Retirement System (TRS) who are first hired on or after July 1, 1987. It would reduce the amount of non-membership service that may be claimed in the TRS to a maximum of three years. This bill represents cost savings to the state and school districts. Cost containment measures in the TRS such as this could be used to help offset the cost associated with a change to the TRS statutes for an actuarially funded post retirement pension adjustment mechanism.

Because of the reasons stated above, the Department is neutral in this Bill.



Deputy Director, Division of Retirement & Benefits

2-5-87
Date



Commissioner Garrey Peska
Department of Administration

2/5/87
Date

Introduced: 1/19/87
 Referred: State Affairs, Health,
 Education & Social Services and
 Finance

1 IN THE HOUSE

BY LARSON AND MENARD

2

HOUSE BILL NO. 12

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to limiting certain kinds of cred-
 7 ited service in the Teachers' Retirement System; and
 8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.25.060(b) is amended to read:

11 (b) If a member joins the system on or after July 1, 1978, and
 12 has creditable outside service, the member may claim this service in
 13 accordance with (c) of this section. If claimed, the member is in-
 14 debted to the retirement fund as follows:

15 (1) The arrearage indebtedness is the full actuarial cost
 16 of providing benefits for the service being claimed. Compound inter-
 17 est at the rate prescribed by regulation shall be added to the arrear-
 18 age indebtedness beginning the date the actuarial cost is established
 19 to the date of payment or the date of retirement, whichever occurs
 20 first.

21 (2) If a member terminates from the system and is subse-
 22 quently reemployed as a member, the arrearage indebtedness for outside
 23 service during the interim is the full actuarial cost of providing
 24 benefits for the interim service being claimed. Compound interest at
 25 the rate prescribed by regulation shall be added to the arrearage
 26 indebtedness beginning the date the actuarial cost is established to
 27 the date of payment or the date of retirement, whichever occurs first.

28 [(3) REPEALED]

29 * Sec. 2. AS 14.25.060(c) is amended to read:

1 (c) For a member who first joined the system before July 1,
2 1987, the [THE] total military service claimed may not exceed five
3 years. For a member who first joined the system before July 1, 1987,
4 the [THE] combined total of outside and military service may not
5 exceed 10 years, except that, if entry into the armed forces is imme-
6 diately preceded by membership service and within one year after
7 discharge is continued by membership service, that service will not be
8 counted for purposes of determining the applicability of the 10-year
9 limitation on the combined total of outside and military service. For
10 a member who first joins the system on or after July 1, 1987, the
11 total combined territorial service, military service, outside service,
12 and Alaska BIA service claimed may not exceed three years.

13 * Sec. 3. AS 14.25.100(a) is amended to read:

14 (a) A member who served as an active member of the armed forces
15 of the United States and who first joined the system before July 1,
16 1987, may receive credited service under this system up to a maximum
17 of five years. A member who served as an active member of the armed
18 forces of the United States and who first joins the system on or after
19 July 1, 1987, may receive a maximum of three years of credited service
20 for combined military service, territorial service, outside service
21 and Alaska BIA service. Each 12 months of military service equals one
22 school year, and lesser military periods will be determined for credit
23 purposes in a proportionate ratio to a year. To receive credited
24 service under this section, the member must have received a discharge
25 other than dishonorable. Credit for service in the armed forces shall
26 be granted only if the member makes contributions for the service in
27 the same manner as required for outside service under AS 14.25.060.
28 For a member who first joined the system before July 1, 1987, the
29 [THE] military service credited under this section shall be included

1 in the 10-year limitation of outside service as specified in AS 14.-
2 25.060, except if entry into the armed forces is immediately preceded
3 by Alaska membership service and following discharge is continued by
4 Alaska membership service within one year thereafter, service may not
5 be counted for purposes of determining the applicability of the 10-
6 year limitation on outside service.

7 * Sec. 4. AS 14.25.105(a) is amended to read:

8 (a) A teacher who completes 15 years of membership service under
9 this chapter may elect to receive credited service for employment
10 rendered to the Territory of Alaska before January 3, 1959, regardless
11 of the office, department, division or agency of the territory in
12 which employed. For a teacher who first joined the system before
13 July 1, 1987, credited [CREDITED] service allowed under this section
14 may not exceed five years. A teacher who first joins the system on or
15 after July 1, 1987, may receive credited service for a maximum of
16 three years of combined territorial service, outside service, military
17 service, and Alaska BIA service.

18 * Sec. 5. AS 14.25.107 is amended to read:

19 Sec. 14.25.107. CREDIT FOR ALASKA BIA SERVICE. A member who
20 joins the system on or after July 1, 1978, and before July 1, 1987,
21 who has Alaska BIA service may claim all of that service as credited
22 service. A member who joins the system on or after July 1, 1987, who
23 has Alaska BIA service may claim a maximum of three years of combined
24 Alaska BIA service, territorial service, outside service, and military
25 service as credited service. A retirement benefit payable under this
26 chapter for Alaska BIA service shall be reduced by an amount equal to
27 the retirement benefits paid to the member by the United States gov-
28 ernment for the same service.

29 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 23, 1987

SUBJECT: Sectional analysis of HB 12
(Limiting credited service in TRS)

TO: Representative Ron Larson

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional analysis of the above described bill. As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Sections 1 and 2 reduces the total of combined territorial service, military service, outside service and Alaska BIA service that may be claimed by a member of the Teachers' Retirement System who was hired after June 30, 1987, from five years to three years.

Section 3 amends the military service section to reflect the three year limit.

Section 4 amends the territorial service section to reflect the three year limit.

Section 5 amends the BIA service section to reflect the three year limit.

Section 6 is an immediate effective date clause.

If I may be of further assistance, please advise.

TC:mkr
m8/046

Introduced: 1/19/87
 Referred: State Affairs, Health,
 Education & Social Services and
 Finance

1 IN THE HOUSE

BY LARSON AND MENARD

2

HOUSE BILL NO. 12

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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FIFTEENTH LEGISLATURE - FIRST SESSION

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A BILL

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