

ALASKA LEGISLATURE

2616

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

162

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 7, 2004

FURTHER REFERRALS:

Date of Committee Action: 4/14/04

The FINANCE Committee considered:

HB 553

HOUSE BILL NO. 553

PFUND APPROPRIATIONS & INVESTMENTS

"An Act relating to investments of the Alaska permanent fund and to the income of and appropriations from the Alaska permanent fund and making conforming amendments; relating to the determination of net income of the mental health trust fund; and providing for an effective date."

Recommends it be replaced with HCS or CS for HB 553 (Fin)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

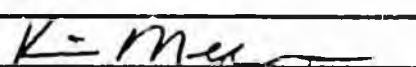
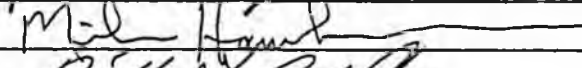
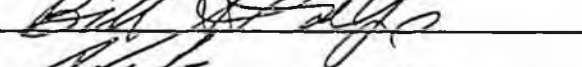
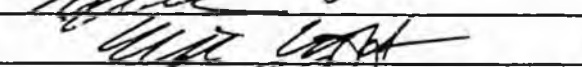
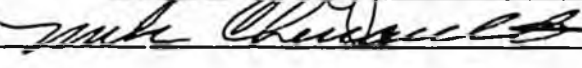
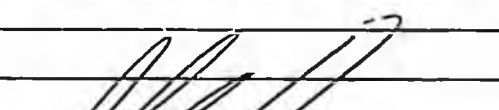
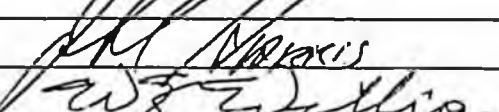
- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:

- ADM
- CEC
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

| <u>NEW FISCAL NOTES</u> | | | | |
|-----------------------------------|------|--------|--------|------|
| *Assigned by Chief Clerk's Office | | | | |
| List by Dept(s): | *FN# | Fiscal | Indet. | Zero |
| REV | | | | ✓ |
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| <u>PREVIOUS FISCAL NOTES</u> | | | | |
|------------------------------|-----|--------|--------|------|
| List by Dept(s): | FN# | Fiscal | Indet. | Zero |
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| <u>Signing with recommendations</u> | Printed Last Name | DP | DNP | NR | AM |
|--|-------------------|----|-----|----|----|
|  | Meyer | | | X | |
|  | Hawker | | | X | |
|  | STOLTE | | | X | |
|  | CROFT | | ✓ | | |
|  | Cheneault | | ✓ | | |
| | | | | | |
| | | | | | |
| Chair:  | HARRIS | | | X | |
| Chair:  | Williams | X | | | |

CS FOR HOUSE BILL NO. 553(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to investments of the Alaska permanent fund and to the income of and
2 appropriations from the Alaska permanent fund and making conforming amendments;
3 relating to the determination of net income of the mental health trust fund; and
4 providing for an effective date."

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

6 * Section 1. AS 09.20.050(b) is amended to read:

7 (b) The jury list shall be based on a list prepared by the Department of
8 Revenue of all persons who filed an application for a [DISTRIBUTION OF
9 ALASKA] permanent fund dividend [INCOME] under AS 43.23 during the current
10 calendar year that shows an Alaska [ALASKAN] address, and of all persons who
11 volunteer for jury duty under (d) of this section. If considered necessary by the
12 administrative director of the Alaska Court System, the jury list shall incorporate a list
13 prepared by the Department of Administration of all persons who hold a valid Alaska
14 driver's license. The departments shall submit their respective lists to the Alaska

1 Court System not later than September 30 of each year. To the extent that it is
 2 available, the departments shall include on the lists they submit the following
 3 information for each person: first name, middle initial, and last name; mailing address,
 4 including the zip code; and birth date. The lists shall be recorded on magnetic tape
 5 compatible with Alaska Court System data processing equipment.

6 * Sec. 2. AS 24.20.206 is amended to read:

7 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

8 (1) [REPEALED

9 (2)] annually review the long-range operating plans of all agencies of
 10 the state that perform lending or investment functions;

11 (2) [(3)] review periodic reports from all agencies of the state that
 12 perform lending or investment functions;

13 (3) [(4)] prepare a complete report of investment programs, plans,
 14 performance, and policies of all agencies of the state that perform lending or
 15 investment functions and notify the legislature within 30 days after the convening of
 16 each regular session that the report is available;

17 (4) [(5)] in conjunction with the finance committee of each house,
 18 recommend annually to the legislature the investment policy for the general fund
 19 surplus and for the [INCOME FROM THE] permanent fund;

20 (5) [(6)] provide for an annual post audit and annual operational and
 21 performance evaluation of the Alaska Permanent Fund Corporation investments and
 22 investment programs;

23 (6) [(7)] provide for an annual operational and performance evaluation
 24 of the Alaska Housing Finance Corporation and the Alaska Industrial Development
 25 and Export Authority; the performance evaluation must include, but is not limited to, a
 26 comparison of the effect on various sectors of the economy by public and private
 27 lending, the effect on resident and nonresident employment, the effect on real wages,
 28 and the effect on state and local operating and capital budgets of the programs of the
 29 Alaska Housing Finance Corporation and the Alaska Industrial Development and
 30 Export Authority;

31 (7) [(8)] provide assistance to the trustees of the trust established in

1 AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415.

2 * Sec. 3. AS 37.13.120(a) is amended to read:

3 (a) This section applies to investment of fund principal and all other
 4 amounts in the fund. The prudent-investor rule shall be applied by the board in the
 5 management and investment of fund assets. The prudent-investor rule as applied to
 6 investments of the fund means that in making investments the board shall exercise the
 7 judgment and care under the circumstances then prevailing that an institutional
 8 investor of ordinary prudence, discretion, and intelligence exercises in the
 9 management of large investments entrusted to it not in regard to speculation but in
 10 regard to the permanent disposition of funds, considering probable safety of capital as
 11 well as probable income.

12 * Sec. 4. AS 37.13 is amended by adding a new section to read:

13 **Sec. 37.13.143. Appropriations from the fund.** (a) The legislature may
 14 appropriate from the fund for each fiscal year the amount for costs of the corporation
 15 associated with operating and investing the fund.

16 (b) After the appropriation under (a) of this section, appropriations by the
 17 legislature for a specific fiscal year are limited as follows, based on the total amount
 18 remaining available for appropriation under art. IX, sec. 15, Constitution of the State
 19 of Alaska:

20 (1) not more than 50 percent may be appropriated for public education;

21 (2) not more than 50 percent may be appropriated to the dividend fund
 22 established under AS 43.23.045.

23 (c) The corporation shall transfer money appropriated under this section from
 24 the fund within 14 days after the effective date of the appropriation.

25 * Sec. 5. AS 37.13 is amended by adding a new section to read:

26 **Sec. 37.13.148. Market value of the fund.** For the purposes of art. IX, sec.
 27 15, Constitution of the State of Alaska, the corporation shall determine the principal
 28 and market value of the fund annually as of the close of business on June 30 in
 29 accordance with generally accepted accounting principles for the determination of fair
 30 value.

31 * Sec. 6. AS 37.13.150 is amended to read:

1 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
 2 investments must be identified as the source of the operating budget of the corporation
 3 **and shall be included** in the state's operating budget under AS 37.07 (Executive
 4 Budget Act). [THE UNEXPENDED BALANCE OF THE CORPORATION'S
 5 ANNUAL OPERATING BUDGET DOES NOT LAPSE AT THE END OF THE
 6 FISCAL YEAR BUT SHALL BE TREATED AS INCOME UNDER AS 37.13.140.]

7 * Sec. 7. AS 37.14.031(c) is amended to read:

8 (c) The net income of the fund shall be determined by the Alaska Permanent
 9 Fund Corporation **annually as of the last day of the fiscal year in accordance with**
 10 **generally accepted accounting principles** [IN THE SAME MANNER THE
 11 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA
 12 PERMANENT FUND UNDER AS 37.13.140].

13 * Sec. 8. AS 43.23.025(a) is amended to read:

14 (a) By October 1 of each year, the commissioner shall determine the value of
 15 each permanent fund dividend for that year by

16 (1) determining the total amount available for dividend payments,
 17 which equals

18 (A) the amount of **money appropriated from** [INCOME OF]
 19 the Alaska permanent fund [TRANSFERRED] to the dividend fund under
 20 **AS 37.13.143** [AS 37.13.145(b)] during the current year;

21 (B) plus the unexpended and unobligated balances of prior
 22 fiscal year appropriations that lapse into the dividend fund under
 23 AS 43.23.045(d);

24 (C) less the amount necessary to pay prior year dividends from
 25 the dividend fund in the current year under AS 43.23.005(h) and under
 26 AS 43.23.055(3) and (7);

27 (D) less the amount necessary to pay dividends from the
 28 dividend fund due to eligible applicants who, as determined by the department,
 29 filed for a previous year's dividend by the filing deadline but who were not
 30 included in a previous year's dividend computation;

31 (E) less appropriations from the dividend fund during the

1 current year, including amounts to pay costs of administering the dividend
2 program and the hold harmless provisions of AS 43.23.075;

3 (2) determining the number of individuals eligible to receive a
4 dividend payment for the current year and the number of estates and successors
5 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

6 (3) dividing the amount determined under (1) of this subsection by the
7 amount determined under (2) of this subsection.

8 * Sec. 9. AS 43.23.028(a) is amended to read:

9 (a) By October 1 of each year, the commissioner shall give public notice of
10 the value of each permanent fund dividend for that year and notice of the information
11 required to be disclosed under (3) of this subsection. In addition, the stub attached to
12 each individual dividend check and direct deposit advice must

13 (1) disclose the amount of each dividend attributable to [INCOME
14 EARNED BY THE PERMANENT FUND FROM] deposits to that fund required
15 under art. IX, sec. 15, Constitution of the State of Alaska;

16 (2) disclose the amount of each dividend attributable to [INCOME
17 EARNED BY THE PERMANENT FUND FROM] appropriations to the permanent
18 fund [THAT FUND AND FROM AMOUNTS ADDED TO THAT FUND TO
19 OFFSET THE EFFECTS OF INFLATION];

20 (3) disclose the amount by which each dividend has been reduced due
21 to each appropriation from the dividend fund, including amounts to pay the costs of
22 administering the dividend program and the hold harmless provisions of
23 AS 43.23.075;

24 (4) include a statement that an individual is not eligible for a dividend
25 when

26 (A) during the qualifying year, the individual was convicted of
27 a felony;

28 (B) during all or part of the qualifying year, the individual was
29 incarcerated as a result of the conviction of a

30 (i) felony; or

31 (ii) misdemeanor if the individual has been convicted of

1 a prior felony or two or more prior misdemeanors;

2 (5) include a statement that the legislative purpose for making
3 individuals listed under (4) of this subsection ineligible is to

4 (A) obtain reimbursement for some of the costs imposed on the
5 state criminal justice system related to incarceration or probation of those
6 individuals;

7 (B) provide funds for services for and payments to crime
8 victims and for grants for the operation of domestic violence and sexual assault
9 programs;

10 (6) disclose the total amount that would have been paid during the
11 previous fiscal year to individuals who were ineligible to receive dividends under
12 AS 43.23.005(d) if they had been eligible;

13 (7) disclose the total amount appropriated for the current fiscal year
14 under (b) of this section for each of the funds and agencies listed in (b) of this section.

15 * Sec. 10. AS 37.13.140, 37.13.145, and 37.13.300(c) are repealed.

16 * Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 **CONDITIONAL EFFECT.** This Act takes effect only if an amendment to art. IX, sec.
19 15, Constitution of the State of Alaska, relating to and limiting appropriations from the Alaska
20 permanent fund based on an averaged percent of the fund market value, is approved by the
21 voters during the 2004 general election and takes effect.

22 * Sec. 12. If this Act takes effect under sec. 11 of this Act, it takes effect on January 1,
23 2005.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 533
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Pfund Appropriations & Investments RDU AK Permanent Fund Corporation
 Component AK Permanent Fund Corporation
 Sponsor House Finance Committee
 Requester House Finance Committee Component No. 109

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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

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

Estimate of any current year (FY2004) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

HB 553 would change the amount available to distribute from the Permanent Fund to conform to a Percent of Market Value payout limit. HB 553 would not change the management or the cost of operations of the Fund.

Prepared by: Robert D. Storer, Executive Director Phone 465-2047
 Division Alaska Permanent Fund Corporation Date/Time 4/12/2003
 Approved by: Steve Porter, Deputy Commissioner Date 4/12/2004
 Agency Department of Revenue

Amended
pg 3 line 20

23-LS1918VA

HOUSE BILL NO. 553

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Introduced: 4/7/04
Referred: Finance

A BILL

FOR AN ACT ENTITLED

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12 administrative director of the Alaska Court System, the jury list shall incorporate a list
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8 (1) [REPEALED

9 (2)] annually review the long-range operating plans of all agencies of
 10 the state that perform lending or investment functions;

11 (2) [(3)] review periodic reports from all agencies of the state that
 12 perform lending or investment functions;

13 (3) [(4)] prepare a complete report of investment programs, plans,
 14 performance, and policies of all agencies of the state that perform lending or
 15 investment functions and notify the legislature within 30 days after the convening of
 16 each regular session that the report is available;

17 (4) [(5)] in conjunction with the finance committee of each house,
 18 recommend annually to the legislature the investment policy for the general fund
 19 surplus and for the [INCOME FROM THE] permanent fund;

20 (5) [(6)] provide for an annual post audit and annual operational and
 21 performance evaluation of the Alaska Permanent Fund Corporation investments and
 22 investment programs;

23 (6) [(7)] provide for an annual operational and performance evaluation
 24 of the Alaska Housing Finance Corporation and the Alaska Industrial Development
 25 and Export Authority; the performance evaluation must include, but is not limited to, a
 26 comparison of the effect on various sectors of the economy by public and private
 27 lending, the effect on resident and nonresident employment, the effect on real wages,
 28 and the effect on state and local operating and capital budgets of the programs of the
 29 Alaska Housing Finance Corporation and the Alaska Industrial Development and
 30 Export Authority;

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 17 legislature for a specific fiscal year are limited as follows, based on the total amount
 18 remaining available for appropriation under art. IX, sec. 15, Constitution of the State
 19 of Alaska:

20 (1) not more than 50 percent may be appropriated to ~~the general fund,~~ *Public education*

21 (2) not more than 50 percent may be appropriated to the dividend fund
 22 established under AS 43.23.045.

23 (c) The corporation shall transfer money appropriated under this section from
 24 the fund within 14 days after the effective date of the appropriation.

25 * Sec. 5. AS 37.13 is amended by adding a new section to read:

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 30 value.

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 3 and shall be included in the state's operating budget under AS 37.07 (Executive
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14 (a) By October 1 of each year, the commissioner shall determine the value of
 15 each permanent fund dividend for that year by

16 (1) determining the total amount available for dividend payments,
 17 which equals

18 (A) the amount of money appropriated from [INCOME OF]
 19 the Alaska permanent fund [TRANSFERRED] to the dividend fund under
 20 AS 37.13.143 [AS 37.13.145(b)] during the current year;

21 (B) plus the unexpended and unobligated balances of prior
 22 fiscal year appropriations that lapse into the dividend fund under
 23 AS 43.23.045(d);

24 (C) less the amount necessary to pay prior year dividends from
 25 the dividend fund in the current year under AS 43.23.005(h) and under
 26 AS 43.23.055(3) and (7);

27 (D) less the amount necessary to pay dividends from the
 28 dividend fund due to eligible applicants who, as determined by the department,
 29 filed for a previous year's dividend by the filing deadline but who were not
 30 included in a previous year's dividend computation;

31 (E) less appropriations from the dividend fund during the

1 current year, including amounts to pay costs of administering the dividend
2 program and the hold harmless provisions of AS 43.23.075;

3 (2) determining the number of individuals eligible to receive a
4 dividend payment for the current year and the number of estates and successors
5 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

6 (3) dividing the amount determined under (1) of this subsection by the
7 amount determined under (2) of this subsection.

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15 under art. IX, sec. 15, Constitution of the State of Alaska;

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18 fund [THAT FUND AND FROM AMOUNTS ADDED TO THAT FUND TO
19 OFFSET THE EFFECTS OF INFLATION];

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24 (4) include a statement that an individual is not eligible for a dividend
25 when

26 (A) during the qualifying year, the individual was convicted of
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28 (B) during all or part of the qualifying year, the individual was
29 incarcerated as a result of the conviction of a

30 (i) felony; or

31 (ii) misdemeanor if the individual has been convicted of

1 a prior felony or two or more prior misdemeanors;

2 (5) include a statement that the legislative purpose for making
3 individuals listed under (4) of this subsection ineligible is to

4 (A) obtain reimbursement for some of the costs imposed on the
5 state criminal justice system related to incarceration or probation of those
6 individuals;

7 (B) provide funds for services for and payments to crime
8 victims and for grants for the operation of domestic violence and sexual assault
9 programs;

10 (6) disclose the total amount that would have been paid during the
11 previous fiscal year to individuals who were ineligible to receive dividends under
12 AS 43.23.005(d) if they had been eligible;

13 (7) disclose the total amount appropriated for the current fiscal year
14 under (b) of this section for each of the funds and agencies listed in (b) of this section.

15 * Sec. 10. AS 37.13.140, 37.13.145, and 37.13.300(c) are repealed.

16 * Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 **CONDITIONAL EFFECT.** This Act takes effect only if an amendment to art. IX, sec.
19 15, Constitution of the State of Alaska, relating to and limiting appropriations from the Alaska
20 permanent fund based on an averaged percent of the fund market value, is approved by the
21 voters during the 2004 general election and takes effect.

22 * Sec. 12. If this Act takes effect under sec. 11 of this Act, it takes effect on January 1,
23 2005.

Looking Back at 1976

**Excerpt from the 1976 Official Election Pamphlet
Statement in Favor of Proposition No. 2
Alaskans Should Strongly Support the Establishment of a
Permanent Fund**

"Just as a wise and prudent family sets aside money in a savings account for the future, so should Alaska's state government set aside a rainy day fund to benefit this and future generations of Alaskans. In a "Permanent Fund" you—the voter—can prevent a major source of income from being doled out for day-to-day needs or desires of state government by placing up to 25% of all revenue generated from non-renewable resources such as mineral leases, rentals, royalties and federal mineral revenue sharing payments and bonuses into such a fund.

In recent years the state legislature has been spending \$2.00 for every \$1.00 taken in. Authorities estimate that if the present rate of spending continues, Alaska will require a budget in excess of one billion dollars by or before 1980. Establishment of this "Permanent Fund" will provide for the use of the principal for the *income-producing investments only* and provide a businesslike approach of permitting the State to meet countless community needs.

Today, as the result of anticipated oil and gas revenues, Alaska stands on the brink of unprecedented propriety. No one, but no one, argues that these non-renewable resources will last but for a few decades. Similarly, no one should fail to recognize that in those years ahead the cost state government will continue to spiral upwards. Now is the time to ask ourselves the question: **"When the oil and gas is depleted, where will the funds to feed our giant government come from?"** The answer is: **"The Permanent Fund"**.

While it is to be hoped that such a fund may contribute to cutting cost or, at least, holding the line on state spending, **its major value would be that it would require our elected officials to pause, reflect and research, any proposal before blindly authorizing expenditure of taxpayers monies.** This would provide needed time for the press and the public to also be aware of the pending project and its merit, instead of being out of public view and hidden in the spending pattern of normal day-to-day operations. Projects invested in with sources from the "Permanent Fund" could help broaden Alaska's narrow based economy and bring more stability to our State.

We would caution the public that while a "Permanent Fund" could provide a tool for accomplishing real needs for community improvements, it will, in the final analysis, not replace our collective responsibility to elect state administrators and legislators who will use the same reason and restraint in spending the public money as they would their own funds.

Establishment of a "Permanent Fund" is an exciting concept and when approved and properly used can serve long and well the best public interest of Alaskans."

Alaska State Chamber of Commerce

HB 553 : PF Appropriations and Investments

by House Finance / Introduced 4.7.04

Alaska State Legislature

House Finance Committee

REPRESENTATIVE
BILL WILLIAMS

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State Capitol, Juneau, Alaska 99801-1182

Sponsor Statement

House Bill 553

HB 553 is effective only if a Percent of Market Value (POMV) constitutional amendment is approved by the voters during the 2004 general election and takes effect. HB 553 provides conforming language to existing statute to accommodate changing the constitutional requirement that all income of the Permanent Fund be deposited into the general fund to the more limiting appropriation mechanism of 'up to 5%' of market value in the proposed POMV constitutional amendments which protect the fund's principal.

HB 553 provides that the annual appropriation from the Permanent Fund under the POMV management structure be divided equally between paying individual dividends and public services.

Section 1: Amends the basis for the Alaska jury list to people applying for a Permanent Fund Dividend. Former language referenced applicants for a "distribution of Alaska Income."

Section 2: Changes Legislative Budget and Audit Committee duties from making annual recommendations for investment policy for the 'income' of the Permanent Fund to making annual recommendations for investment policy for the Permanent Fund.

Section 3: Amends statute to direct the Permanent Fund Corporation to invest that value of the fund beyond principal by the 'prudent investor' rule.

Section 4: Clarifies how the proceeds from 'up to 5%' of the fund may be spent.

- (a) The legislature may appropriate money to pay the costs of the corporation associated with operating and investing the fund.
- (b) Not more than 50% of the payout may be appropriated to the general fund. Not more than 505% of the payout may be appropriated to the dividend fund.
- (c) States that the corporation shall transfer the money appropriated within 14 days of the effective date of the appropriation.

Section 5: The proposed POMV constitutional amendment allows appropriations based on the 'market value' of the fund. This section provides a statutory mandate that

'market value' be determined in accordance with generally accepted accounting principles.

Section 6: Eliminates the current statutory provision that any unexpended operating budget of the Permanent Fund Corporation be included in the determination of 'income' of the fund for the calculation of income available for distribution. The determination of income available for distribution will no longer be required under the proposed POMV constitutional amendment that bases the amount that can be distributed on market value

Section 7: The Permanent Fund Corporation manages the investment portfolio of the Mental Health Trust Authority. Current statute provides that the income from those funds be determined "in the same manner the corporation determines the net income of the Alaska Permanent Fund..." The Mental Health Trust Authority has previously adopted a POMV style management. This section provides a statutory mandate that the net income of the Mental Health Trust fund be determined in accordance with generally accepted accounting principles.

Section 8: This section changes language in the existing Permanent Fund Dividend payment statutes to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the current dividend payment statutes.

Section 9: This section changes language in the disclosures required on the payment stub for Permanent Fund Dividends to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the disclosures required.

Section 10: Repeals statute that will be superceded by operation of the proposed POMV constitutional amendment. AS 37.13.140 defined income and net income of the Permanent Fund for purposes of making distributions. Under the proposed POMV constitutional amendment, distributions are based on Market Value not on income. AS 37.13.145 defined the disposition of the income of the permanent fund including inflation proofing and transfers to the dividend account. Inflation proofing is inherent in the proposed POMV constitutional amendment and Section 3 of this legislation provides for transfers to the dividend account.



Today's Situation

Permanent Fund Balance

\$26 billion

↓
POMV of 5%

\$1.3 billion

\$1,000 Dividend Check

\$650 million

General Government

\$650 million



HB

555

HFIN

FILE

HB 555 : re occupational licensing fees & receipts

(H. Rules)

[Union-amend HB 464]

★ adds fines & penalties
to the license fee calculation

★ changes how fees are established

FN #1 ✗ DCED/occup
Lic 2360 4.22.04

Subject: [Fwd: HB 464]

Date: Wed, 24 Mar 2004 15:14:07 -0900

From: Pat Davidson <pat_davidson@legis.state.ak.us>

To: Peter Ecklund <Peter_Ecklund@legis.state.ak.us>



This Message
Applies to HB 555

Hi Pete

This is the message I send to Henry Webb, LBA Committee staff about the suggested changes to HB 464.

Please let me know if you have any questions.

Pat

legal concern - due process ethics -

Subject: HB 464

Date: Thu, 18 Mar 2004 11:44:17 -0900

From: Pat Davidson <pat_davidson@legis.state.ak.us>

To: Henry Webb <Henry_Webb@legis.state.ak.us>

CC: rick_urion@dced.state.ak.us, jenny_strickler@dced.state.ak.us

public policy choice:
whether fees are set
by the Board or the
Occupation

Hi Henry,

You asked that I put my thoughts down regarding the amendments proposed by Rick Urion from the Department of Community and Economic Development, Division of Occupational Licensing to HB464. This bill currently extends the termination date for the Board of Real Estate Appraisers.

This amendment covers two items.

1. Additions of fines and penalties

The public policy aspects of whether includes fines and penalties in determining the fees paid by licensees is certainly open for debate. However, I believe that there may be some legal concerns as well as policy concerns.

Jean Mischel from Legal Services has raised the question as to whether the inclusion of fines and penalties in the calculation of licensee fees would create a bias on the part of board members. Before fines or penalties can be assessed individuals have due process rights. Those rights include a fair hearing by an unbiased adjudicatory body (in this case the board). Ms. Mischel's concern is that linking fines and penalties to the licensing fees may, in some certain instances result in an unfair proceeding, because of bias on the part of the board that could be overturned by a court on due process grounds.

I hadn't thought about a due process argument, but had some concerns from an ethics perspective. After reviewing the Executive Branch Ethics Act, it appears that the direct linking of fines and penalties with licensing fees may put board members in violation of AS 39.52.120(b)(2) and (4). I have contacted Barbara Ritchie at the Department of Law for their opinion, but haven't heard back yet.

Whether there is a due process or ethics concerns comes down to materiality. If the effect on any individual member licensee fee is very small, then there won't really be a problem. However there are some boards with a very small pool of licensees - such as the Board of Direct Entry Midwives which has between 25 to 30 licensees, and the effect of a penalty may not be immaterial.

Since the amendment is to the centralized licensing statute it will apply to all the boards. Therefore it must be constructed so that no board members are put in a position to violate ethics or due process regardless of the size of the fine being assessed or the number of licensees.

I will keep you apprised of any new information coming in from the Department of Law regarding the ethics issue.

2. Fees established at board not occupation level

Besides adding fines and penalties to the license fee calculation it also changes how the fees are to be established.

This amendment will also change how the fees are to be calculated. Currently the statutes require that the fees be established so they will cover the cost incurred by an occupation. This amendment would change that so the fees would be set so they would, collectively, cover the cost of the board which oftentimes includes more than one occupation.

We can use the Board of Dental Examiners to illustrate the effect of this change. Assume the Board undertook a project to update regulations relating to the practice of dentistry. In addition to involvement of the board members there would be time spent by the Division's regulation specialist and attorney's in the Department of Law.

Under the existing statutes, the costs for the project, including the regulation specialist and the Department of Law would be covered by the fees paid for by dentists. Under the amended statute, the additional costs of the project would be paid for by not only dentists but also dental hygienists, who are also licensed by the Board of Dental Examiners.

Whether the fees are set at the board or occupation is a public policy choice. I just make a note of it so that it can be thoroughly discussed during the committee hearings.

I've cc'd this to Rick Union and Jennifer Strickler from Occupational Licensing and I'm sure they will correct me for anything that I've missed.

Let me know if you have any questions.

Pat

Alaska State Legislature

House of Representatives



Official Business

COMMITTEE ON RULES
Representative Norman Rokeberg, Chairman

State Capitol, Rm. 214
Juneau, Ak 99801-1182
(907) 465-3764

SPONSOR STATEMENT HOUSE BILL 555

"An Act relating to occupational licensing fees and receipts"

House Bill 555 would require that:

- a) Return of any fines and penalties collected as the result of a decision by a licensing Board or Commission to the Division to help offset its regulatory costs;
- b) Clarifies that total amount of fees together with fines and penalties, shall approximately equal the total actual costs of the board and department of all occupations regulated by the board.

Currently, fines and penalties are recorded as restricted revenue; however, occupational licensing is not allowed to use the fines and penalties to help offset actual costs. The Board or Commission does not receive any reimbursement for the cost of investigating a complaint or taking disciplinary action against a licensee. Current law requires that licensees of the Board or Commission must pay for the total cost of that licensing board. Since investigations and/or disciplinary actions are part of the total costs, licensing fees are increased to cover those costs. Under HB 555, relief would be granted to the licensees, as they would not be required to pay for the entire enforcement costs of the Board or Commission. This is a fairer way to handle these fines and penalties than the current system.

Current law also requires each occupation regulated by a Board to pay its own costs. This is not always practicable and some Boards have chosen to increase fees in certain occupations to shoulder greater costs than other occupations within the same Board to support the profession as a whole (for example, registered nurse fees support some of the nurse aide costs). HB 555 provides clarification to support this practice.

Your support for this legislation would be appreciated.

Alaska State Legislature

House of Representatives



Official Business

COMMITTEE ON RULES Representative Norman Rokeberg, Chairman

State Capitol, Rm. 214
Juneau, Ak 99801-1182
(907) 465-3764

SECTIONAL ANALYSIS

House Bill 555

Prepared by Rep. Norman Rokeberg, Chairman

- Section 1: Amends current language on occupational licensing fees so that fines and penalties assessed by a Board or Commission would be returned to the Department. Requires that each Board collect enough funds from licensees to pay for the total actual costs for all occupations regulated by a board.
- Section 2: Amends statutes concerning the Architects, Engineers, and Land Surveyors Board to require that fee levels are the same for all occupations regulated by this Board.
- Section 3: Amends statutes concerning the Audiologists and Speech Pathologists to require that fee levels are the same for all occupations regulated under AS 08.11 (Audiologists and Speech Pathologists).
- Section 4: Amends statutes concerning the Construction Contractors to require that fee levels are the same for all occupations covered under AS 08.18 (Construction Contractors). These occupations include: general contractors, specialty contractors, residential contractors, electrical contractors, mechanical contractors, and home inspectors.)
- Section 5: Amends the Fiscal Procedures Act to conform to Sections 1-4 of this legislation.
- Section 6: Repeals 08.95.920 regarding unified occupations under the laws addressing the Board of Social Work Examiners.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: #
Bill Version: HB 555
() Publish Date:

Revision Date/Time (Note if correction):
Title Occupational Licensing
Fees and Receipts
Sponsor House Rules
Requester House Labor & Commerce
Dept. Affected: DCED
RDU Occupational Licensing (117)
Component Occupational Licensing
Component No. 2360

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| CHANGE IN REVENUES () | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|-------------------------------|------------|------------|------------|------------|------------|------------|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/ Mental Health | | | | | | |
| Other 1156 - Receipt Supported Services | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: *(Attach a separate page if necessary)*
HB 555 allows fines and penalties to be included when setting fees to ensure the total amount collected approximately equals the total actual costs. Under the self-sufficiency statute, AS 08.01.065, licensing programs are responsible to pay their total costs, including investigations and disciplinary actions, yet the fines and penalties collected currently go to the general fund. This bill clarifies the handling of fines and penalties, and also clarifies that all occupations within a Board must support total actual costs of the Board and the Department for all occupations regulated by that Board.

An annual estimate of fines and penalties collected is \$65.9. This is based on an average of fines collected in the last three fiscal years (FY03: \$101.7; FY02: \$35.7; FY01: \$60.4). Fines and penalties change annually depending on the number of investigations and disciplinary actions.

Prepared by: Jennifer Strickler, Administrative Manager Phone (907) 465-2144
Division Occupational Licensing Date/Time 4/22/04 1:33 PM
Approved by: Edgar Blatchford, Commissioner Date 4/22/2004
Agency Department of Community and Economic Development

HB

556

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 556(TRA)
(H) Publish Date: 4/28/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title AIDEA Bonds For Lynn Canal Port RDU AIDEA (125)
Component AIDEA
Sponsor House State Affairs
Requester House Transportation Component No. 1234

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill provides bonding authorization to finance the acquisition, development, improvement, and construction of port and related facilities for use in conjunction with mining activities and located at Lynn Canal in Southeast Alaska. Prior to issuing bonds, AIDEA will be required to conduct a feasibility, market and risk analysis of the project as outlined in AS 44.88.095(c). The bill allows other sources of financing in lieu of bond proceeds. The principal amount of the bonds and other financing provided by AIDEA may not exceed \$20 million.

Bonds sold to finance the project will have no impact on the General Fund.

Prepared by: Sara Fisher-Goad, Financial Analyst Phone: 907-269-4623
Division: Alaska Industrial Development & Export Authority Date/Time: 4/26/04 4:15 PM
Approved by: Edgard Blatchford, Commissioner Date: 4/26/2004
Agency: Department of Community & Economic Development

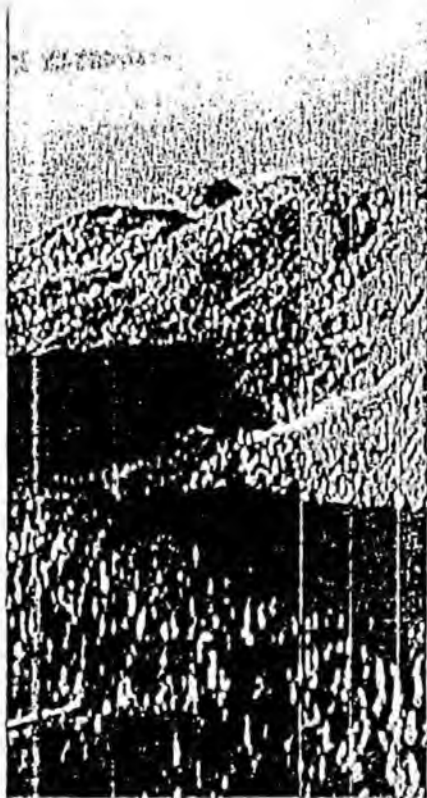
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ORIGINAL
COPIES



KENSINGTON GOLD PROJECT

Project Summary and Overview of Partnership Opportunities

April 2004





KENSINGTON

GOLD PROJECT

Project Overview

Summary

- Technically feasible, environmentally friendly, and economically viable
- Located 45 miles North of Juneau
- One million ounces of gold reserves; total potential of five million ounces
- Annual production of 100,000 ounces at cash costs under \$200 per ounce
- Capital costs expected to be \$90 million
- Owned by Coeur since 1987; over \$150 million invested in project to date
- Over 900 studies conducted; Over 50 permit applications
- Permitting expected to be completed in June; Construction to begin in July
- Current gold price, Coeur's renewed financial strength, and re-engineered project have created opportunity to rapidly develop project

Significant Employment Impact in SE Alaska

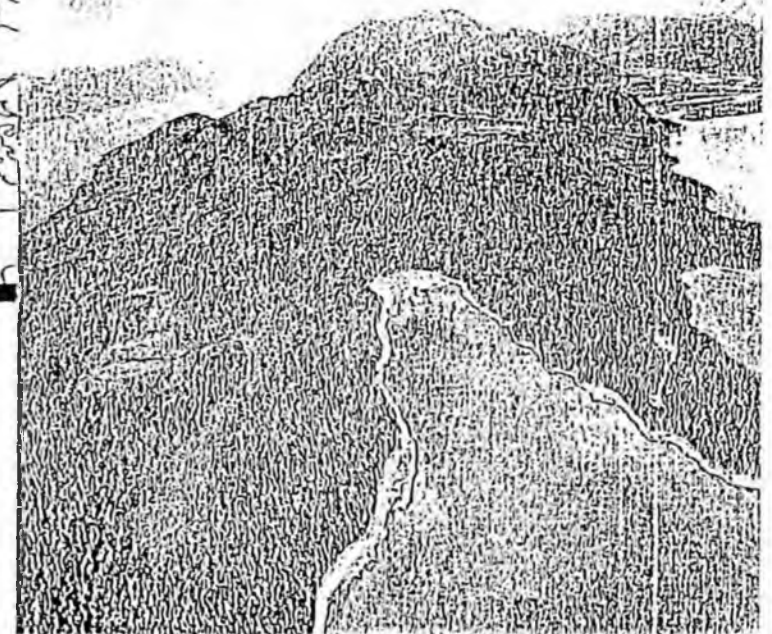
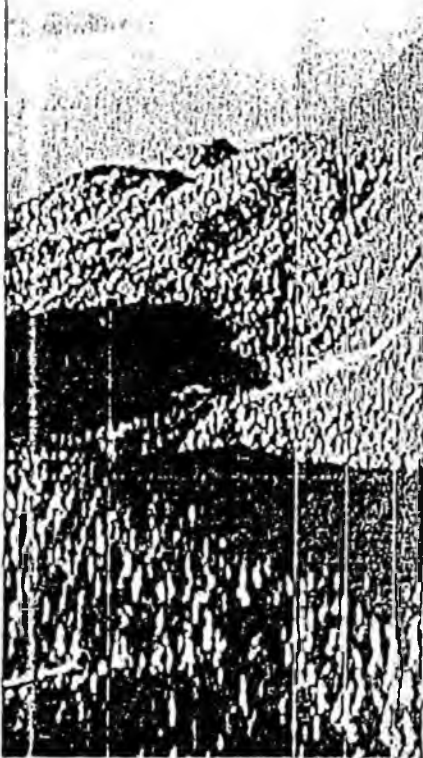
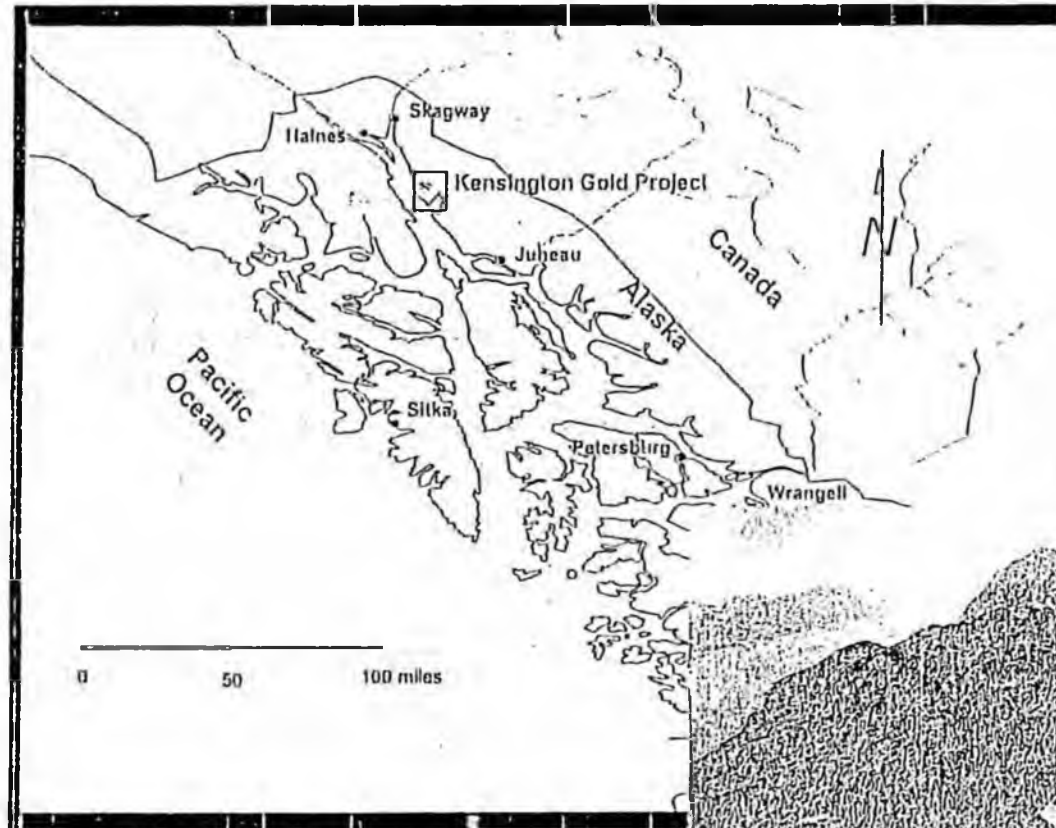
- 250-300 well-paying construction jobs over 18 month construction window
- 110-225 well-paying operating jobs over 10-20 year expected mine life
- Nearly 500 jobs expected to be created beyond direct mine employment (transportation, supplies, services)





KENSINGTON GOLD PROJECT

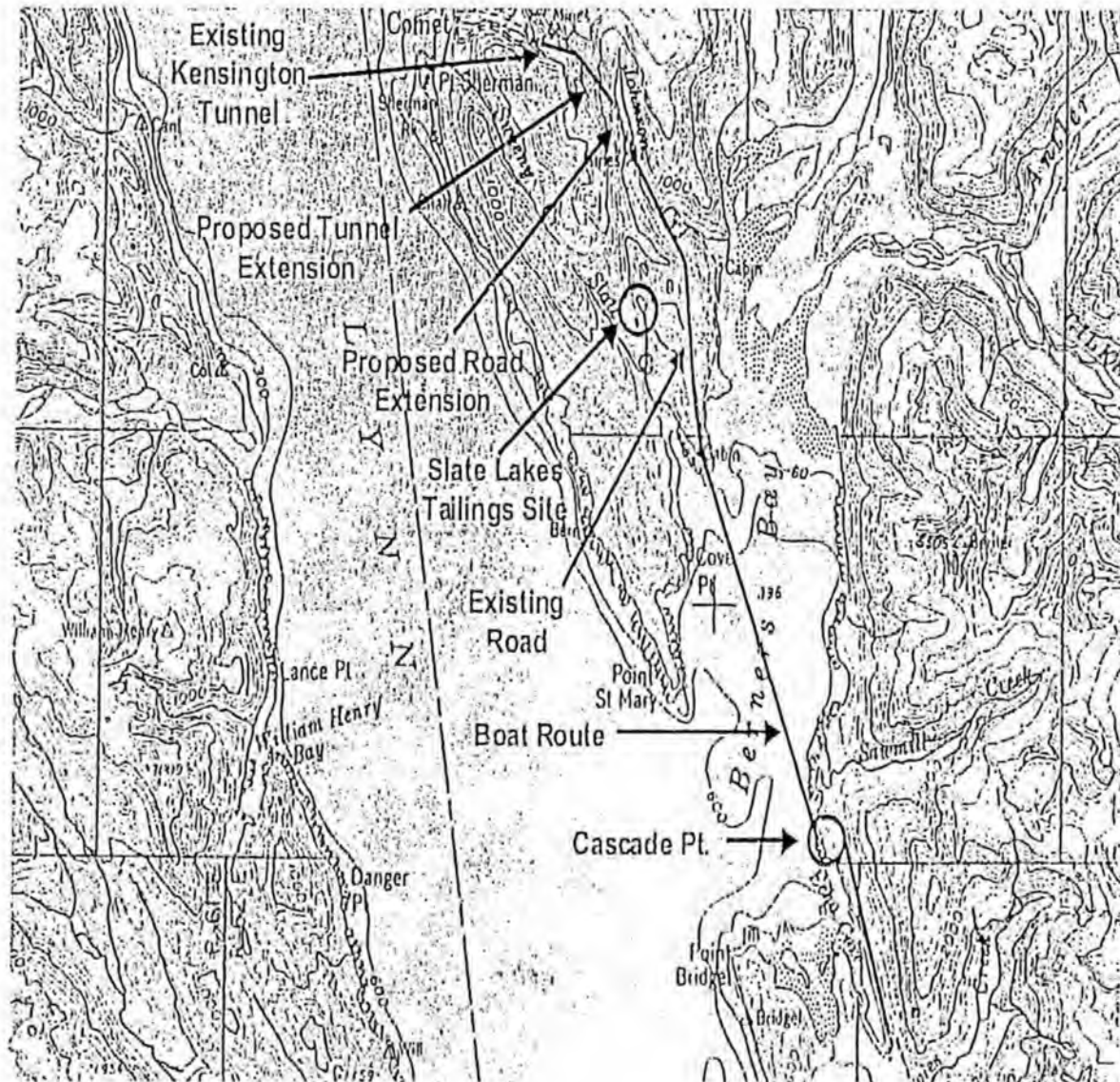
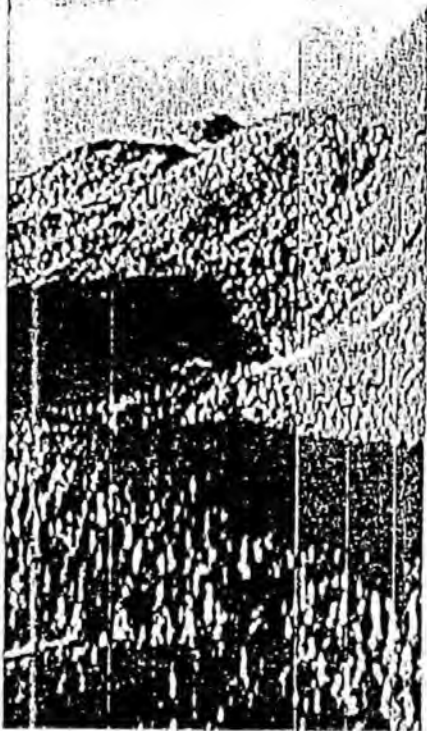
Location





KENSINGTON GOLD PROJECT

Layout of Mine and Facilities

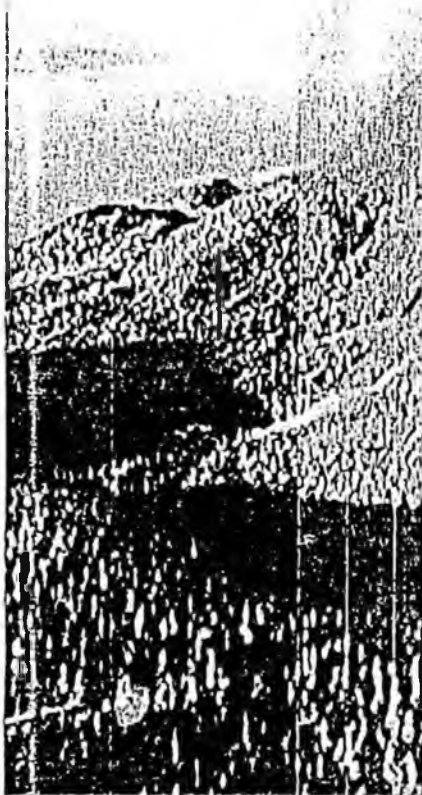




KENSINGTON GOLD PROJECT

Summary of Potential Partnership Opportunities

- Training of Workforce
- Bus Transportation for Workers
- ✓• Cascade Point Dock Facilities
- Passenger Ferry Service Across Berners Bay
- ✓• Slate Creek Cove Dock Facilities
- ✓• 5.5 mile Slate Creek Road
- ✓• On-Site Power Plant
- ✓• 8,000ft Tunnel Connecting Kensington and Jualin
- ✓• Tailings Management Facility

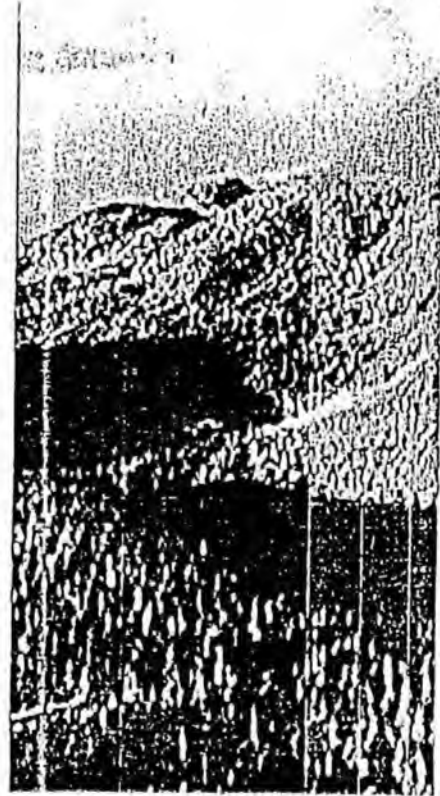




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Training of Workforce





KENSINGTON GOLD PROJECT

Training of Workforce

Description

- Construction phase will employ a minimum of 300 people both in Coeur employees and contract employees
- Development on the Jualin tunnel and pre-mining development on the Kensington ore faces will coincide with construction. Required manpower will be approximately 25 people.
- Operational manpower will range from 125 to 230 people depending on production levels.

Request

- Funding assistance with the following training requirements:
 - New Miner Training required by MSHA is expected to cost \$500,000
 - Alaska Cultural training for employees is expected to cost \$200,000
 - Skill-based training is estimated to cost \$750,000

Contact

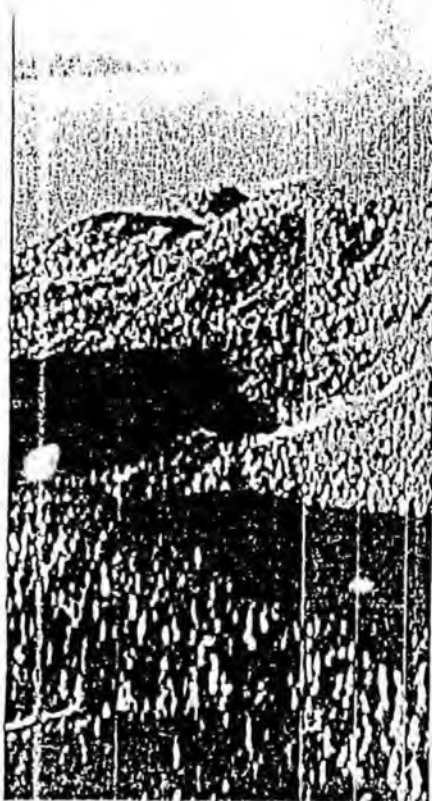
Gary W. Banbury

Sr. Vice President of Human Resources, Safety, and Administration

Coeur d'Alene Mines Corporation

(800) 624-2824

gbanbury@coeur.com

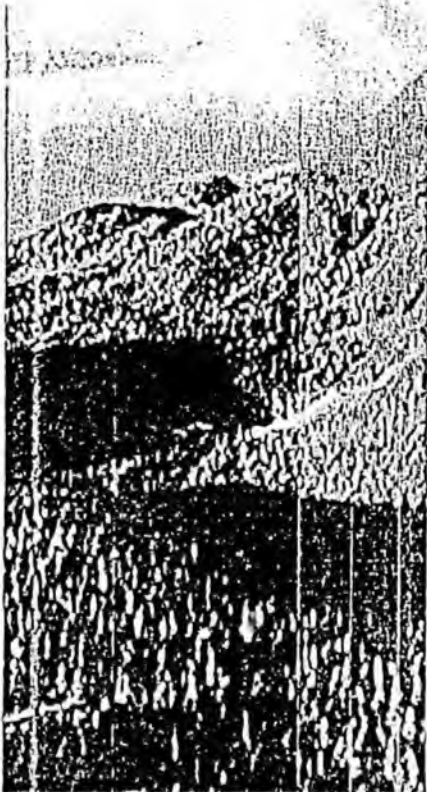




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Bus Transportation for Employees





KENSINGTON GOLD PROJECT

Bus Transportation for Workers

Description

- 2-3 busses will be required to transport workers from the Slate Creek marine terminal to the mine site on a 5.5 mile road
- Loading and trip from dock is assumed to take 30 minutes one way

Request

- Third party to supply and operate busses
- User fee charged to Coeur for this service





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Cascade Point Dock Facilities





KENSINGTON GOLD PROJECT

Cascade Point Dock Facilities

Description

- The project requires a marine terminal at Cascade Point
- Kensington currently has no facilities to transfer freight, supplies, and personnel to and from the mine
- This marine terminal would be constructed on state tidelands.
- Goldbelt Inc. owns the surrounding uplands
- See following page for detailed design drawings. A detailed study was completed by Peratrovich, Nottingham and Drage, Inc. outlining the required construction and , which is available upon request.

Cost of Facilities

- \$2,900,000

Request

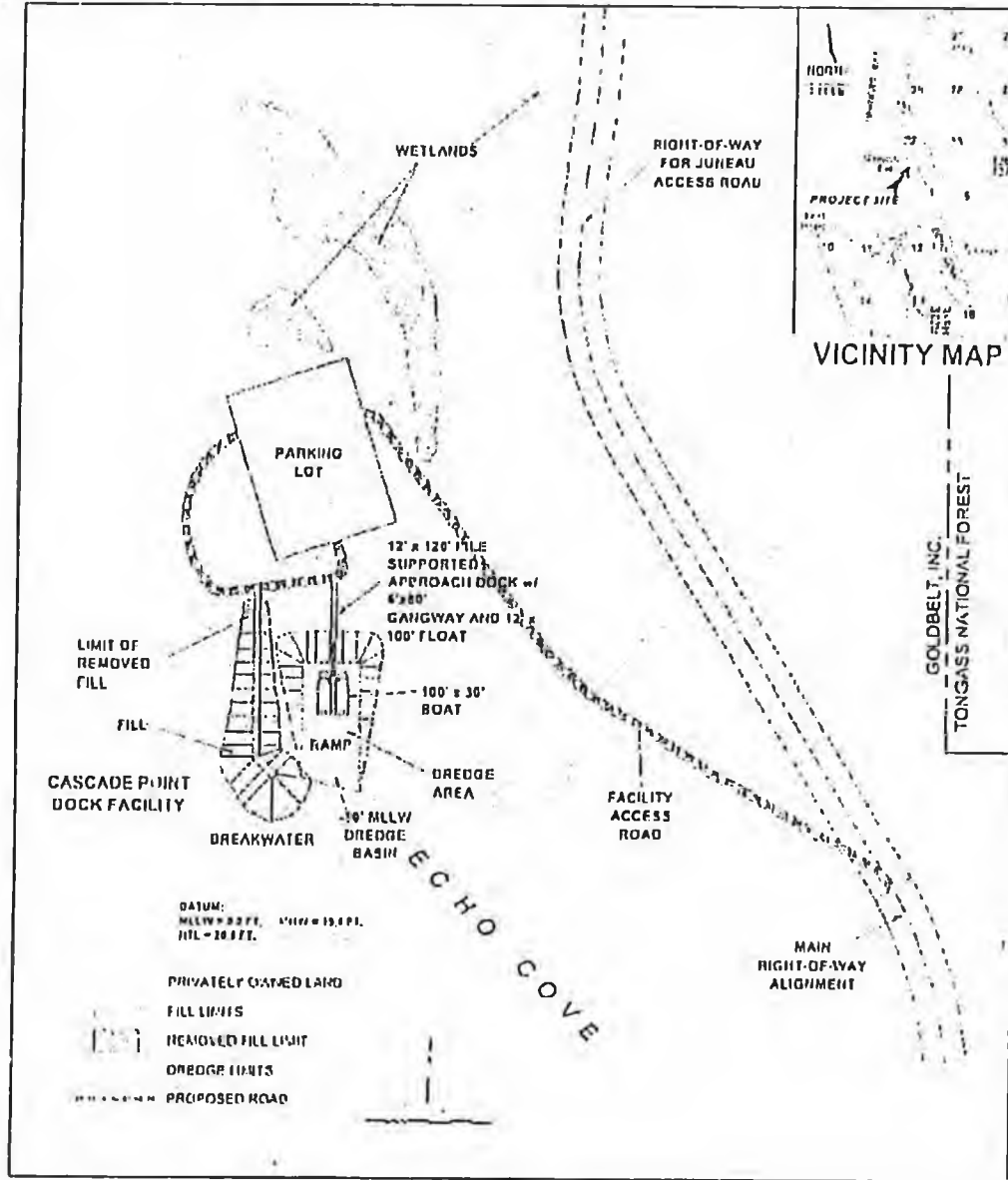
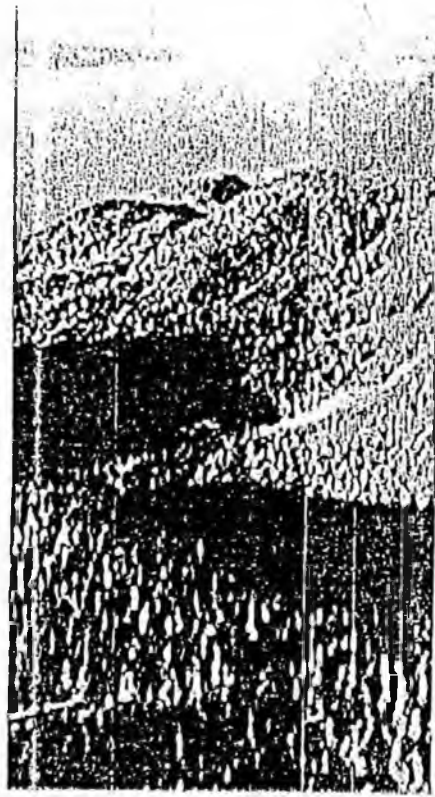
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party





KENSINGTON GOLD PROJECT

Cascade Point Dock Facilities





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Passenger Ferry Service Across Berners Bay





KENSINGTON GOLD PROJECT

Passenger Ferry Service

Description

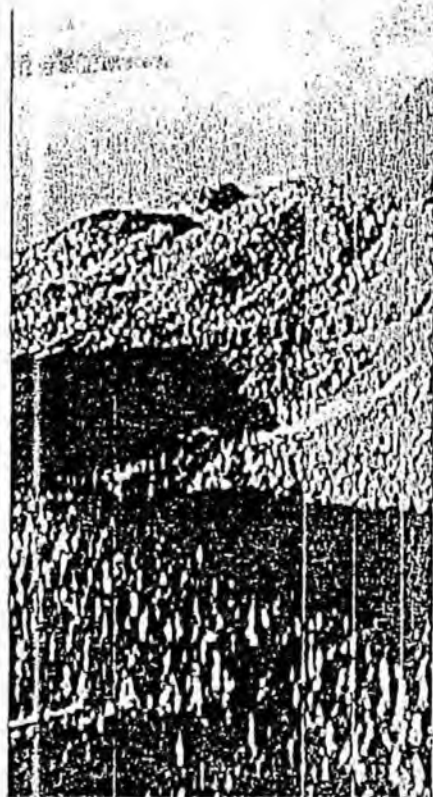
- Kensington requires a ferry capable of transporting one full shift of workers (+/- 60 people plus freight) three times per day from a marine facility at Cascade Point to Slate Creek Cove
- Trip across Berners Bay is estimated to take fifteen minutes
- 365 days per year; 7 days per week

Cost

- Adequate vessel estimated to cost approximately \$1.0 - \$1.5 million

Request

- Third party to supply and operate ferry
- User fee charged to Coeur for this service
- During time not in use for transporting workers, vessel may be used for other activities

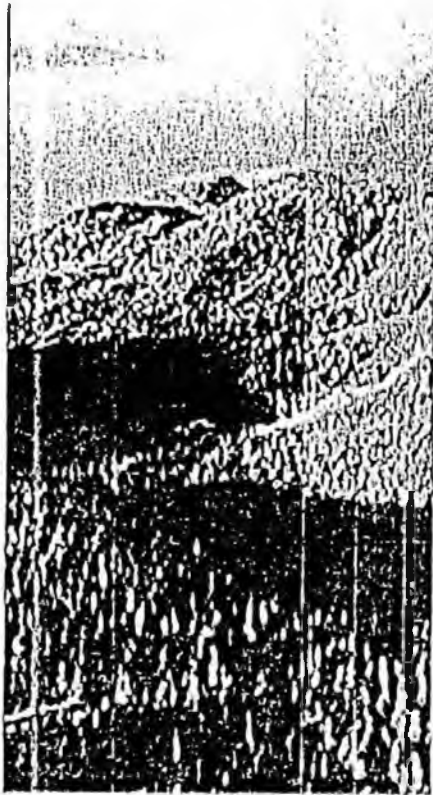




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Slate Creek Cove Dock Facilities





KENSINGTON

GOLD PROJECT

Slate Creek Cove Dock Facilities

Description

- It is necessary to construct a port facility at Slate Creek Cove in order to transfer freight, supplies, and personnel to and from Cascade Point
- The concentrate handling, storage, and load-out facility will also be located at this dock

Cost

- \$4,400,000 million
 - \$3.3 million for dock facilities
 - \$1.1 million for concentrate handling facilities

Request

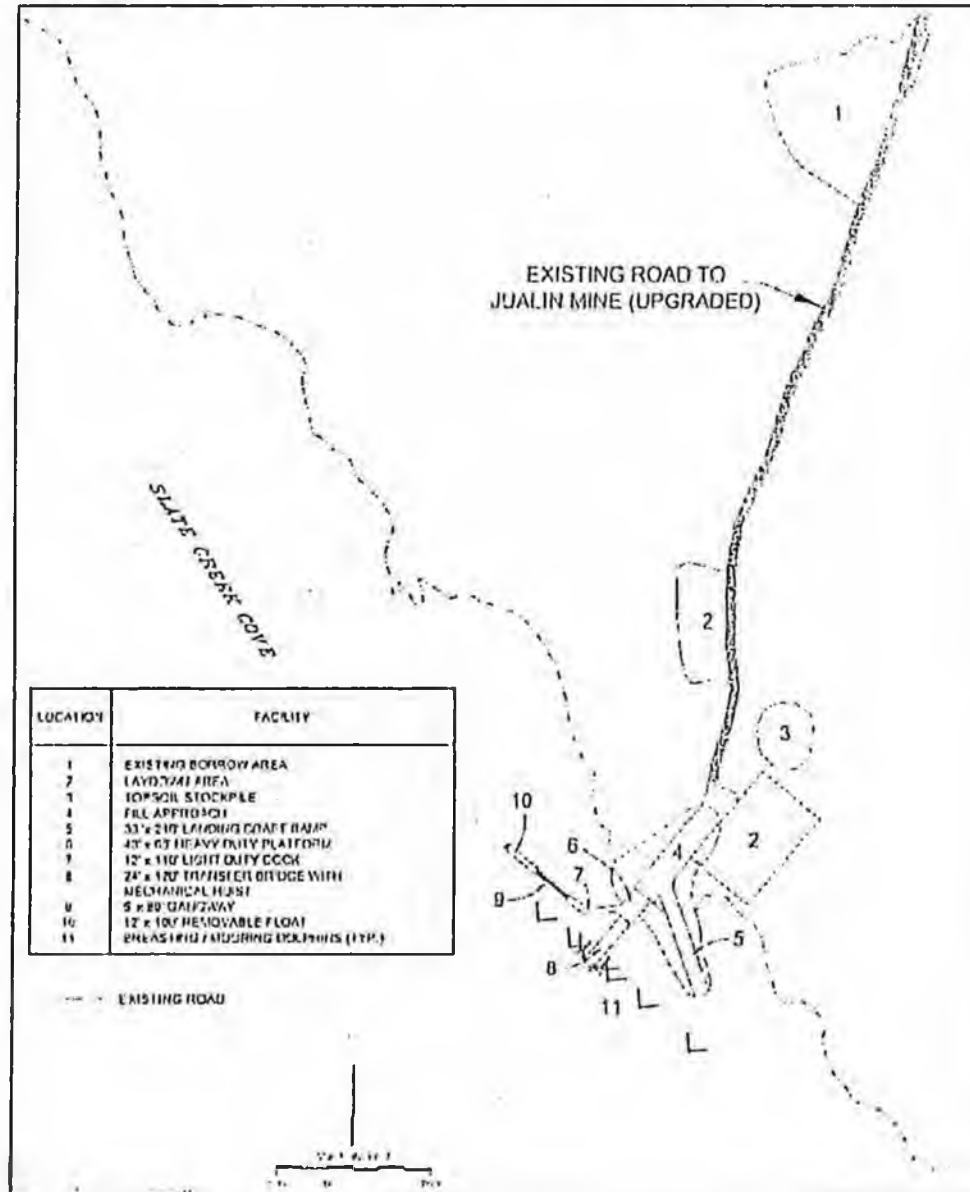
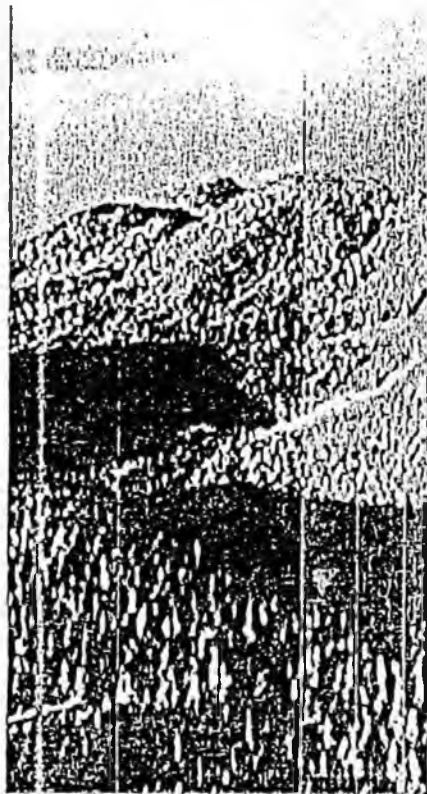
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party





KENSINGTON GOLD PROJECT

Slate Creek Cove Dock Facilities





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Slate Creek Road





KENSINGTON GOLD PROJECT

Slate Creek Road

Description

- In order to access the mill site and nearby ore body, Coeur needs to construct/improve the 5.5 mile road from Slate Creek Cove.

Cost

- Road: \$2,028,000

Request

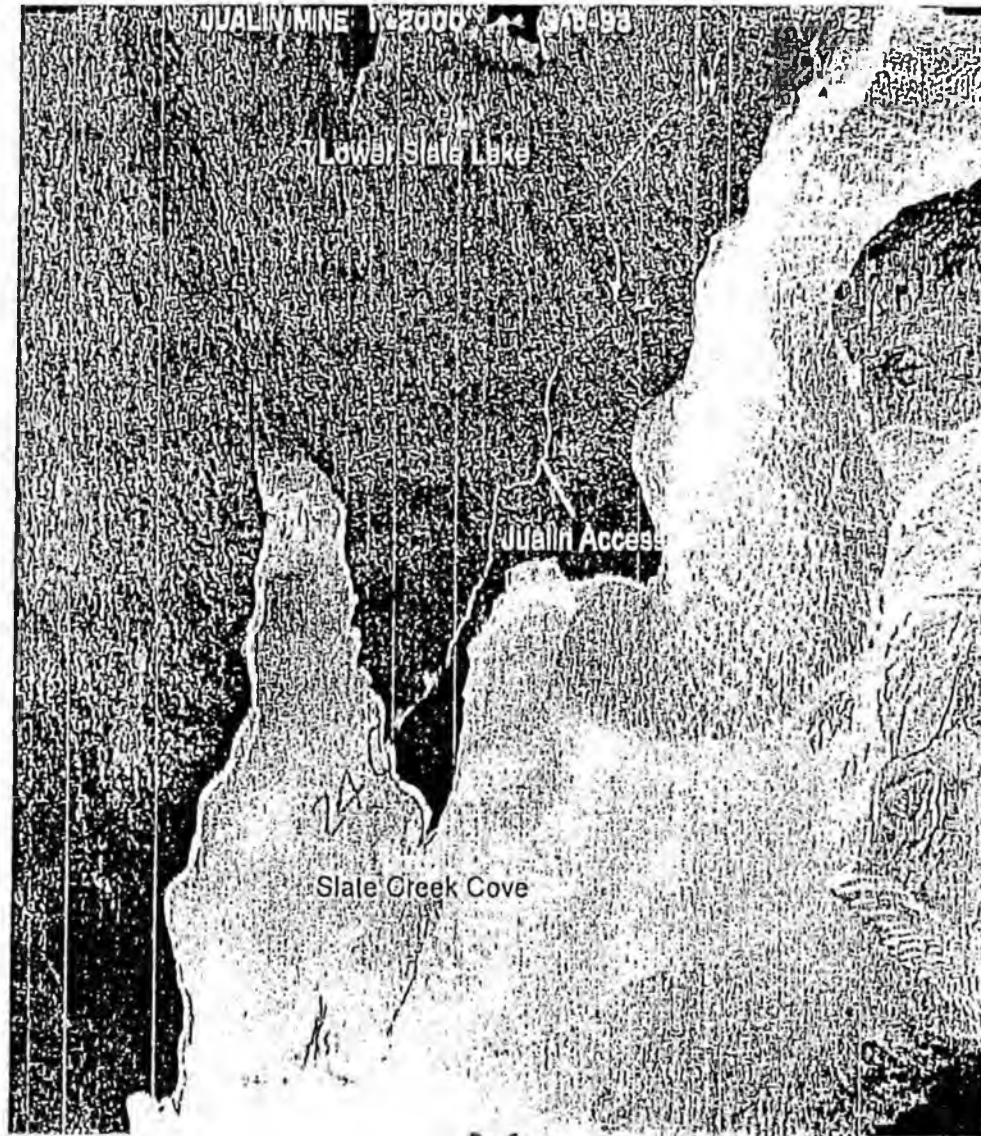
- Funding from ADOT under its "Roads to Resources" initiative to upgrade this road





KENSINGTON GOLD PROJECT

Slate Creek Road

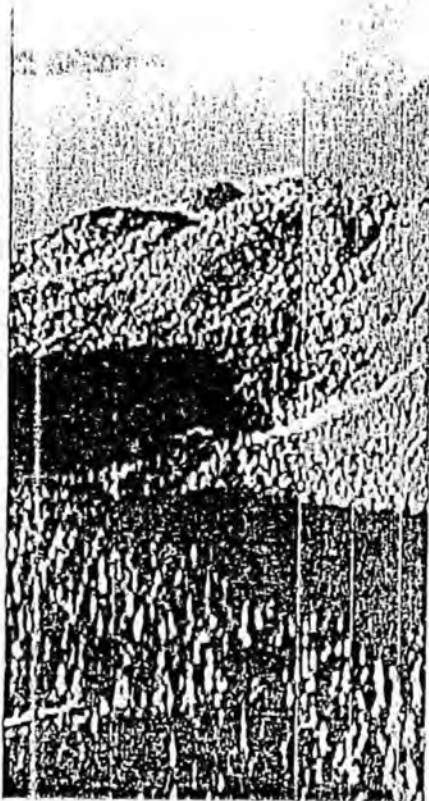




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

On-Site Power Plant





KENSINGTON

GOLD PROJECT

On-Site Power Plant

Description

- Power will be generated on site that will require a generating plant and stand-by generating capability
- The normal power demands for the mine, process plant and ancillary facilities are estimated to be 3.8 MW
- A 20% allowance for intermittent peak load is designed into the generation facility
- Four medium speed 1.5 MW diesel generator sets (three operating, one stand-by) are designed to satisfy Kensington's total requirements

Cost

- \$6,100,000

Request

- Grant money or alternative financing to purchase generators
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Tunnel Connecting Jualin and Kensington





KENSINGTON GOLD PROJECT

Tunnel

Description

- In order to access the ore body, Coeur needs to construct an 8,000 foot tunnel connecting the Jualin and Kensington areas of the mine
- Integral component to minimizing surface disturbance and allowing Coeur to re-locate processing facilities to Jualin side from the Kensington side
- Also makes commuting from other regions feasible for workers
- Necessary to access ore body

Cost

- \$5,363,000

Request

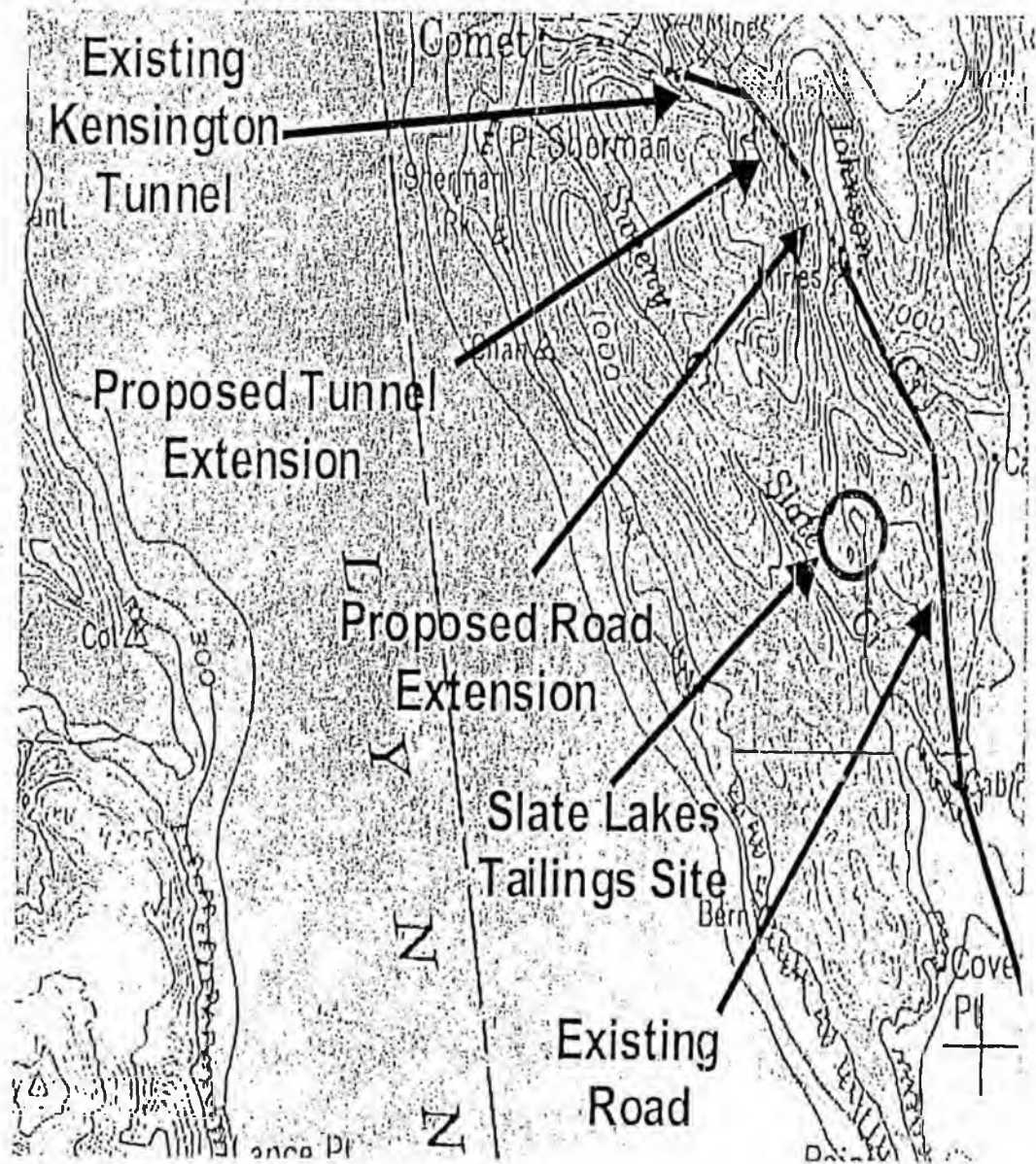
- Grant money or alternative financing to fund the development of this underground road to the ore body





KENSINGTON GOLD PROJECT

Tunnel





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Tailings Management Facility





KENSINGTON GOLD PROJECT

Tailings Management Facility

Description

- Construction of an environmentally sound tailings impoundment area that will be reclaimed to a natural state upon cessation of mining
- This facility will utilize new, environmentally friendly technology that will establish and confirm new restoration techniques that can be utilized at other tailings facilities.

Cost

- Total capital costs: \$8,737,250
- Ongoing monitoring costs: \$1,365,000 (\$130,000 annually over 10.5 yrs)

Request

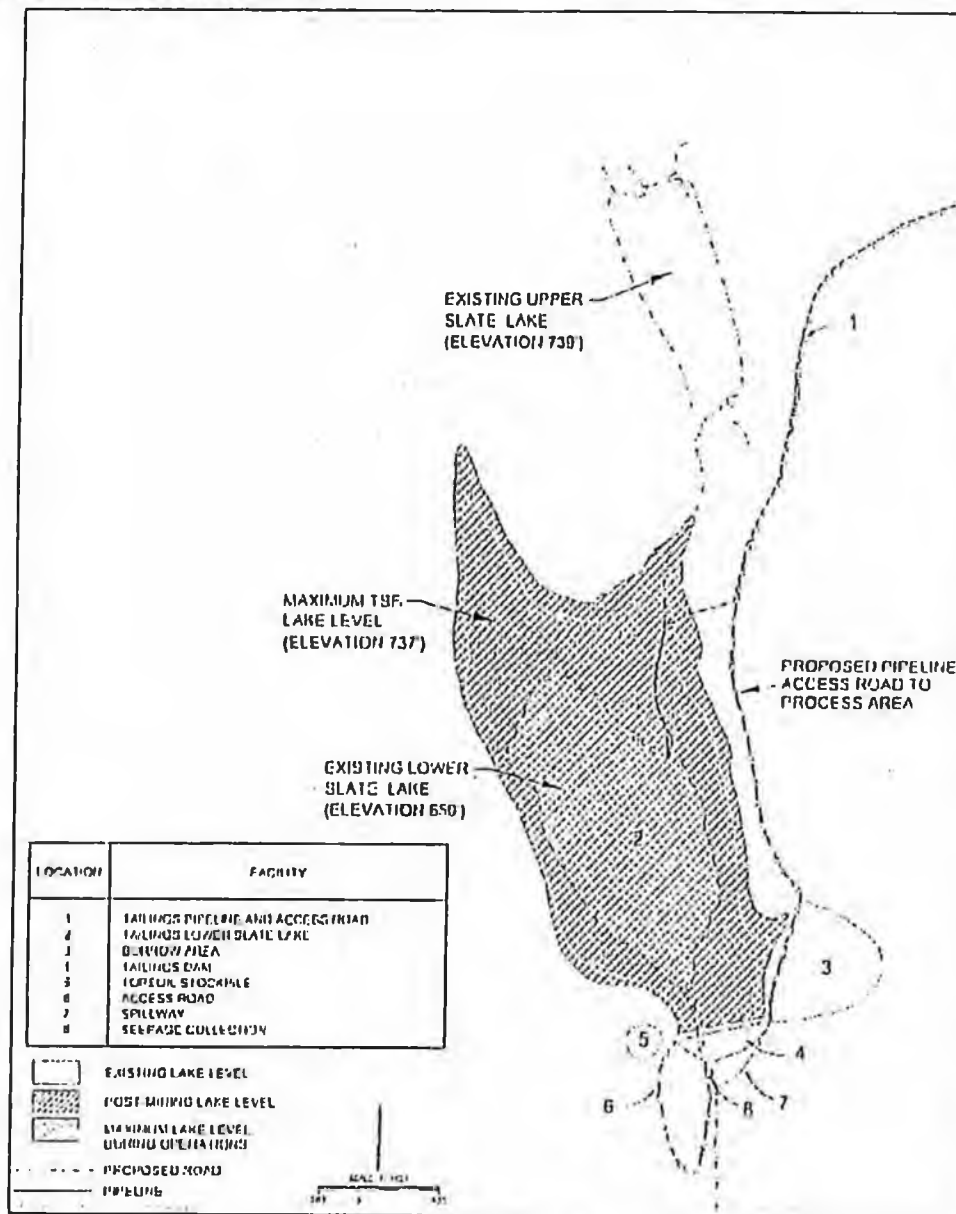
- Grant money or alternative financing to fund the development and operation of this facility
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee





KENSINGTON GOLD PROJECT

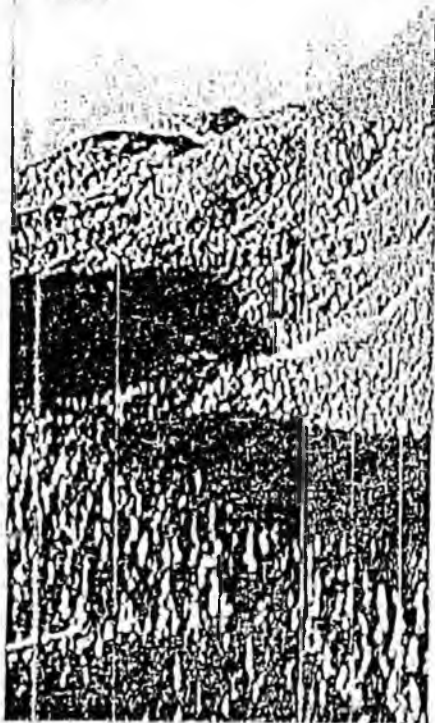
Tailings Management Facility





KENSINGTON GOLD PROJECT

Tailings Management System





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

For Additional Information, Please Contact:

Jim Arnold

Vice President of New Projects & Technical Services

(800) 624-2824

jarnold@coeur.com

Mitchell Krebs

Vice President of Corporate Development

(773) 388-2902

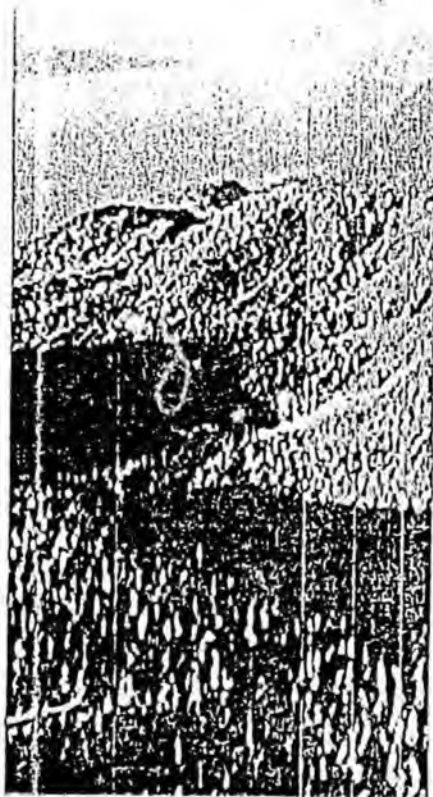
mkrebs@coeur.com

Tim Arnold

Vice President & General Manager of Kensington

(907) 789-1591

tarnold@coeur.com



Adopted
4.29.04

HB 556

Amendment 1

By Rep. Hawker

Page 1, line 9

Insert: "at Slate Creek Cove and Cascade Point"

To read:

(a) The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, development, improvement, and construction of port and related facilities located at Slate Creek Cove and Cascade Point on Lynn Canal in Southeast Alaska.

ALASKA STATE LEGISLATURE

Representative Bruce Weyhrauch

HOUSE DISTRICT 4



ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

(907) 465-3744
FAX (907) 465-2273

State Affairs Committee

Rep. Bruce Weyhrauch, Chair

HB 556

AIDEA Bonds for a port development project on Lynn Canal

The Alaska Development and Export Authority, or AIDEA, is a unique funding mechanism that focuses on the development, ownership, and operation of facilities within Alaska. To be considered for funding, projects like roads, ports and utilities must meet specific statutory criteria: they are essential to the economic well-being of an area; are financially feasible; and are supported by the communities in which they are located. AIDEA has been a key player in many of Alaska's economic successes through the years. AIDEA programs have financed small projects, such as the Unalaska Marine Center dock, and larger ones such as the multi-million dollar Red Dog mine and Federal Express aircraft maintenance facility.

HB 556 continues AIDEA's role in boosting economic development and creating jobs in the state by providing legislative authorization for construction of port facilities located on Lynn Canal in Southeast Alaska.

The developed port facility would become an integral component in the permitted Kensington Mine project north of Juneau at the confluence of Lynn Canal and Berners Bay. Once construction begins, the project is expected to employ 325 workers and during its 15 or more operational years, the Kensington will employ about 225 workers. The operational mine is expected to support up to 180 additional indirect jobs as well.

The entire central and northern Southeast regions eagerly await the infusion of construction and mining jobs and the state is fortunate to have a financially healthy agency like the AIDEA to forge public-private partnerships that can strengthen Alaska's economic base.

Contact: Linda Sylvester
465-3744

Released: April 22, 2004

THE FOLLOWING DOCUMENT HAS NOT
BEEN FILMED BUT IS AVAILABLE IN THE
ORIGINAL FILE.



Kensington Mine Project



NOVEMBER 2001

Economically feasible, environmentally safe Kensington gold mine proposed

Coeur Alaska is advancing a revised Kensington gold mine plan that substantially reduces capital construction costs and would seek to streamline operations by partnering with Alaska businesses and Southeast Alaska Native corporations. It protects the environment and enhances reclamation by utilizing existing roads and already-developed areas and minimizing new environmental disturbances.

The revised project would store tailings in a remote, muskeg lakebed with minimal fish and wildlife impacts. It would produce a gold concentrate to be shipped off-site in sealed containers for gold recovery. Mining would take place underground and mine production facilities would not be visible from Lynn Canal or

nearby Berners Bay. The mine site and tailings storage area would be restored at the project's conclusion with zero wetland loss.

A Slate Creek Cove dock would provide safe, year-round, all-weather marine

transportation. Workers would be carried by boat between the work site and a dock at Goldbelt Corporation's Cascade Point property. Fuel and supplies would be shipped to the mine on a regular

(CONTINUED ON BACK PAGE, NEW PROJECT)

Kensington at a glance

The project would last at least 15 years: two years for construction and startup, eight years for gold recovery and two years for active reclamation, followed by three years of monitoring. All mine activities would be contained within the active tailings on the mine site.



Aerial view looking east toward Comet Beach, Lion's Head Mountain and the Kensington project area.
COEUR ALASKA PHOTO

NEW PROJECT, CONTINUED FROM FRONT PAGE

schedule reducing the need for extensive storage facilities.

Coeur's new plan would significantly benefit Southeast Alaska's economy. It offers new, high-salary, year-round jobs and revenues that replace lost government, fishing, mining and timber positions. It would also help diversify a regional economy that increasingly relies upon cruiseships and tourism. Diversification would help Southeast better withstand tourism industry slumps and the possible loss of additional state and federal jobs. Alaska tourism has recently been slowing with the national economy and was particularly

hard hit by the September 11 terrorist attacks. The long-term effect of the attack is uncertain, which emphasizes the need for economic diversification.

The Kensington mine should be productive for at least 8 years, and significantly longer if more reserves are found. Production would also extend if Kensington expands into the adjacent Jualin property to access its economic reserve base.

The Kensington project would also generate at least \$9 million in tax revenue in 10 years and \$21 million in local purchases during the same period. Coeur Alaska is committed to local hire and would draw

workers from Juneau, Haines, Skagway, Hoonah, Kake and other Southeast communities.

The revised project's most important feature is economic feasibility. It is considerably less expensive to build and operate than the permitted plan, which means it is more likely to be economically sustainable through periods of fluctuating gold prices. In other words, Alaska, especially Juneau and the rest of Southeast Alaska, are more likely to enjoy Kensington's economic benefits if federal, state and local agencies approve the new plan.

LONG TRADITION, CONTINUED FROM INSIDE

several other surrounding mines. The area was extensively developed and productively mined until financial troubles overwhelmed the company in 1905. Between 1905 and 1917 the mine operated intermittently, changing hands a few times.

At its peak in 1913, Kensington miners drove a 5,000-foot tunnel to the Johnson ore body. After 1917 the Kensington sat dormant until 1935, when the Premier Gold Mining Company sent workers to renovate and reopen the mine. The effort was abandoned after a few short years, and again the mine lay idle.

In early 1987, Coeur Alaska, Inc. (a wholly owned subsidiary of Coeur d'Alene Mines Corporation in Idaho) entered into a joint venture to purchase the Kensington Mine property. During the next seven years the Kensington Venture explored the veins deep within the mountain.

In June 1995, Coeur Alaska, Inc. acquired sole ownership of the property. The company worked closely with community and interest groups to redesign the project to revise the tailings treatment plan, eliminate water discharge into Lynn Canal, reduce stream diversions and reclamation risk and eliminate onsite cyanide use. Later that



Bart Thane, Charlie Whipple and an unidentified man stand in the Kensington mine tunnel on November 9, 1905. WINTER AND FOND PHOTO, COURTESY OF ALASKA STATE LIBRARY (PCA 87-496)

year, Coeur filed new permit applications incorporating the proposed changes and the U.S. Forest Service commenced a supplemental environmental impact study.

The Forest Service approved Coeur's Kensington Supplemental Environmental Impact Study in August 1997 and other key permits were issued in 1998. By then, however, the world gold market had gone into a very sharp decline with prices falling from more than \$400 an ounce to well below \$300 an ounce between January 1996 and January 1998. The approved Kensington plan was no longer economically feasible in this depressed gold market and analysts predicted that prices were unlikely to return

to the \$400 per ounce target price anytime soon. Gold prices today remain below \$300 per ounce.

Coeur Alaska continued working on the Kensington project and developed a new plan that reduces capital and operating costs, improves safety and better preserves the environment. Regulators including the Forest Service, Army Corps of Engineers and Environmental Protection Agency, the Alaska Departments of Natural Resources, Environmental Conservation and Fish and Game and the City and Borough of Juneau are being asked to approve this revised plan to improve the project's economic viability.

Kensington Mine Project

UPDATE

NOVEMBER 2001

Economically feasible, environmentally safe Kensington gold mine proposed

Coeur Alaska is advancing a revised Kensington gold mine plan that substantially reduces capital construction costs and would seek to streamline operations by partnering with Alaska businesses and Southeast Alaska Native corporations. It protects the environment and enhances reclamation by utilizing existing roads and already-developed areas and minimizing new environmental disturbances.

The revised project would store tailings in a remote, muskeg lakebed with minimal fish and wildlife impacts. It would produce a gold concentrate to be shipped off-site in sealed containers for gold recovery. Mining would take place underground and mine production facilities would not be visible from Lynn Canal or

nearby Berners Bay. The mine site and tailings storage area would be restored at the project's conclusion with zero wetland loss.

A Slate Creek Cove dock would provide safe, year-round, all-weather marine

transportation. Workers would be carried by boat between the work site and a dock at Goldbelt Corporation's Cascade Point property. Fuel and supplies would be shipped to the mine on a regular

(CONTINUED ON BACK PAGE, NEW PROJECT)

Kensington at a glance

- The project would last at least 15 years: two years for construction and startup, eight years for gold recovery and two years for active reclamation, followed by three years of monitoring. Additional reserves are frequently found during active mining, so the mine life could be substantially longer.
- Kensington would employ about 325 workers during its peak construction period and cost about \$155 million.
- The operating mine would employ about 225 workers. It would support up to 180 additional indirect jobs.
- The project would employ 30-to-50 workers during reclamation.
- Kensington jobs would be year-round with a predicted annual payroll cost of \$16 million. Wages would be substantially higher than the average for local retail and service industry workers. Coeur Alaska is committed to local and Native hire and would train workers.
- Mine operations would entail daily commutes and traditional, two-shift work schedules set on rotation plans to accommodate families. Coeur Alaska would transport employees to and from the mine site. Busing would limit highway traffic impacts.
- Kensington would spend at least \$7.5 million for direct local purchases during construction and \$13.5 million during operations. These figures do not include indirect spending by support businesses.
- Kensington has 1.8 million ounces of gold reserves and 1.4 million ounces of additional reserves.
- Mine tailings would be stored in a remote, muskeg lakebed with minimal fish and wildlife impact.
- Gold concentrate would be processed off-site. No cyanide processing would occur in Southeast Alaska.
- Coeur has spent over \$20 million to date on environmental studies and comprehensive reclamation programs to assure that the company's high standard of environmental protection is met.



Aerial view looking east toward Comet Beach, Lion's Head Mountain and the Kensington project area. COEUR ALASKA PHOTO

Good economics spread the wealth

The revised Kensington plan is economically superior to the permitted plan because it would substantially reduce capital and operating costs and spread mine revenue across the state. It calls for Coeur Alaska to partner with Alaska companies and Southeast Alaska Native corporations to fill such needs as transportation, support services and solid waste management. Partnering would reduce Coeur's capital expenses and improve operational efficiency.

The new plan would shrink the mine's footprint and associated maintenance and reclamation costs. Its all-weather dock facility would provide safe and reliable transportation and reduce operating costs. It would minimize on-site inventory and storage expenses and productivity lost to bad weather.

Most important for Southeast Alaskans, the revised Kensington plan is closer to being economically feasible in today's depressed gold market. The original

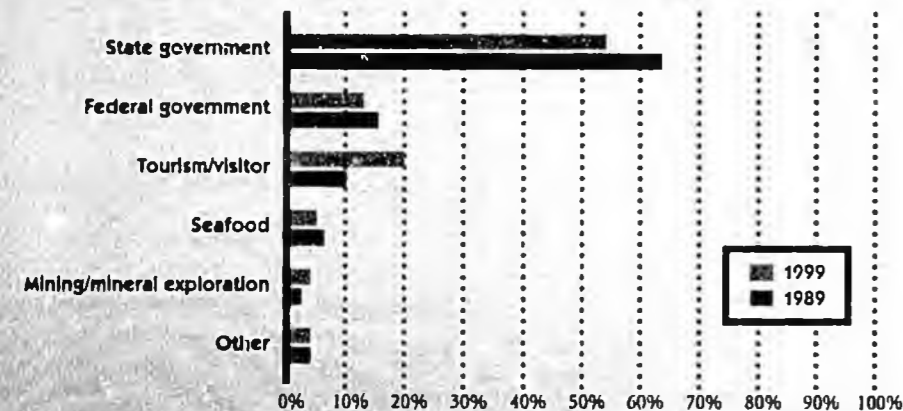
Kensington plan is not economically sustainable because it presumed gold prices would remain above \$400 per ounce. The revised plan could be implemented if its permits are approved and gold prices sustain an upward trend. Current gold prices are less than \$300 per ounce.

Developing the Kensington mine would add desperately needed diversity to Southeast Alaska's economy. Studies show Southeast Alaska increasingly relies upon tourism for its economic base as government employment, fishing, logging and mining shrink. This narrow economic focus makes the region especially vulnerable to downturns in tourism and continued reductions in state government.

The Kensington mine could broaden the region's economic base. Projections show that the mine would generate more than 295 high-salary, year-round jobs for local workers, \$21 million in direct local purchases and \$9 million in direct tax revenue during the next decade.

JUNEAU'S EMPLOYMENT SHIFTS, ECONOMY DECLINES

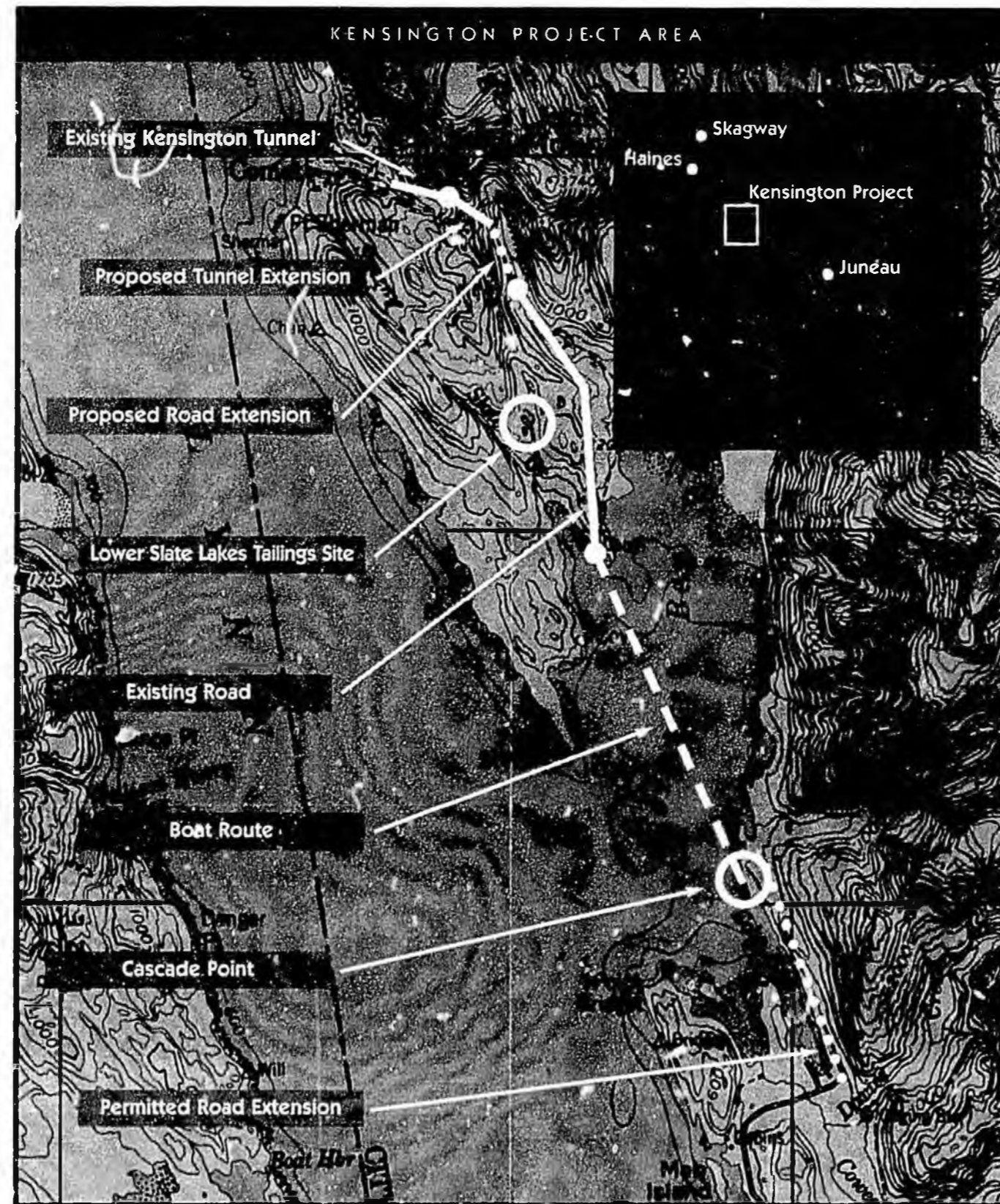
1999 vs. 1989 Juneau Employment



Most of Juneau's job growth during the 1990s was from relatively low-paying service-industry and tourism jobs that do not have significant benefit packages. Economic figures show the economy in Juneau and the rest of Southeast Alaska is in decline, with Juneau's average real wages dropping 10 percent while they increased 12 percent in the rest of the United States.

At the same time, Juneau's cost of living remains about 20-25 percent higher than the national average and it lags behind the rest of the country in manufacturing and other important, non-public sector industries. Juneau is losing its government jobs, dropping from 41.8 percent of employment in 1990 to 33.2 percent in 1999. The majority of Juneau-area mining employment today is at Greens Creek mine.

SOURCE: JUNEAU ECONOMIC DEVELOPMENT COUNCIL IN COLLABORATION WITH THE McDOWELL GROUP, OCTOBER 2001



Workers would commute from Juneau to the Kensington mine by bus and boat. Insert: The 100-mile-long Juneau Gold Belt is dotted with dozens of known gold deposits. Forty-six hard-rock mines extracted some 7 million ounces of gold from the gold-belt before the last mine closed in 1944.

Kensington mine has long tradition

The Kensington Gold Project is located 45 miles north of Juneau, at the northern tip of the famous Juneau Gold Belt. Joe Juneau and Richard Harris discovered large quantities of gold in the region in 1880. They recorded a 160-acre town site that became Juneau to support their discoveries. Some 46 hard-rock gold mines in the 100-mile-long Gold Belt pro-

duced 7 million ounces of gold before the last mine closed in 1944.

Prospectors first discovered gold in the area around Lions Head Mountain and the Kensington Mine in 1886. Five years later the Berners Bay Mining and Milling Company was formed and purchased Kensington and

(CONTINUED ON BACK PAGE, LONG TRADITION)

New Kensington plan preserves environment

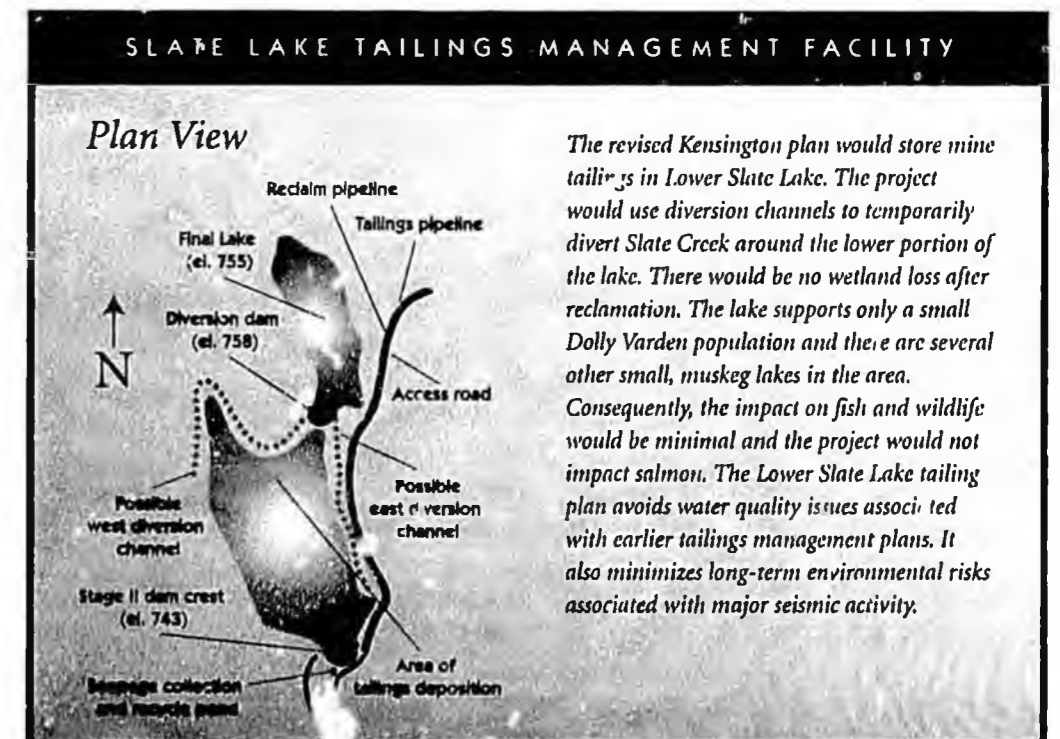
Environmental regulators last permitted the Kensington gold project in 1998. That project is not economically feasible in today's gold market. Consequently, Coeur Alaska redesigned the project to reduce costs, mitigate operating risk, enhance safety, and significantly decrease its environmental impact. The revised project would:

- Ship gold concentrate off-site in sealed containers for treatment and gold recovery. No cyanide processing would occur in Southeast Alaska.
- Store mine tailings in Lower Slate Lake. Water flow into this remote, muskeg lake would temporarily be diverted.
- Improve water quality and reclamation. The mine site would be restored during the project's reclamation phase. There would be no loss of wetlands and minimal impact on fish and wildlife. No salmon would be affected.
- Use a Slate Creek Cove dock to give boats and barges all-weather access to the mine site. This would improve worker transport, safety of fuel and

cargo handling and minimize on-site storage requirements.

- Significantly reduce helicopter traffic to and from mine site.
- Minimize potential conflicts with fisheries and other user groups.
- Minimize long-term environmental risks associated with major seismic activity.
- Impact 25 percent less land than the permitted project. The revised plan would minimize Kensington's footprint and surface disturbance by using existing roads and placing surface structures on privately owned land that has been associated with mining since the late 1800s. The project would be virtually invisible from water level.

Action Required: Regulators, including the U.S. Forest Service, U.S. Army Corps of Engineers and Environmental Protection Agency, must permit the revised plan before the new Kensington mine project may proceed. Other state and local approvals will also be required.



The revised Kensington plan would store mine tailings in Lower Slate Lake. The project would use diversion channels to temporarily divert Slate Creek around the lower portion of the lake. There would be no wetland loss after reclamation. The lake supports only a small Dolly Varden population and there are several other small, muskeg lakes in the area. Consequently, the impact on fish and wildlife would be minimal and the project would not impact salmon. The Lower Slate Lake tailing plan avoids water quality issues associated with earlier tailings management plans. It also minimizes long-term environmental risks associated with major seismic activity.

Questions and Answers about Coeur Alaska and Kensington

Q. *Why is this bill so late in coming to the Legislature?*

A. Coeur recently finished its Pre-feasibility study, and is into the detail design phase. In this phase, Coeur initiated discussions with AIDEA about how we could work together. These discussions began in April. In order to make this arrangement feasible, the bill needs to pass during this session.

Q. *Is this bill standard language for this type of an arrangement?*

A. Yes

Q. *Why can't Coeur do this themselves?*

A. They can. Coeur could build and pay for the docks up front, manage them privately, and teardown at the end of the mine life (or make other arrangements if desired and approved). The advantage to using the AIDEA funds is that the docks are paid off over the life of the mine, and the financing is tax exempt. Coeur still pays for the docks in both cases. The advantage to AIDEA and the State of Alaska is that, once approved, the docks will be maintained for the public use after the mine is gone.

Q. *Is Coeur in good financial shape?*

A. Currently Coeur is in exceptional financial condition. We have \$258 Million in net assets. We are the second largest US based mining company on the NYSE. Our market capitalization is nearly \$1.2 billion. In the last 2 ½ years our share price has risen from below \$1.00 a share to over \$7.50 per share. Along with renewed investor interest we completed the restructuring of the company, eliminated our outstanding debentures, further developed our new generation of mines in Chile and Argentina, and advanced our development projects. Coeur recently raised \$180 million in cash in order to fund our new projects, Kensington being one of them. Coeur is in its strongest financial condition in more than a decade.

Alternative "B" of the SEIS has improved economics that will allow Kensington to produce gold at levels below any price seen in the last 10 years. Persons nervous about the financial well being of Coeur should be supportive of Alternative "B" in the current permitting process.

Q. *Could the road extension to Cascade Point be restricted in any way, or could tolls be charged?*

A. The road to Cascade Point has already been permitted, and a Record of Decision has been issued. That ROD addresses the use of the road, which includes public access. The Master Plan submitted by Goldbelt included development of Cascade point, not seclusion. In time, the object will be to have public facilities and encourage public use. There is no intention of any toll whatsoever.



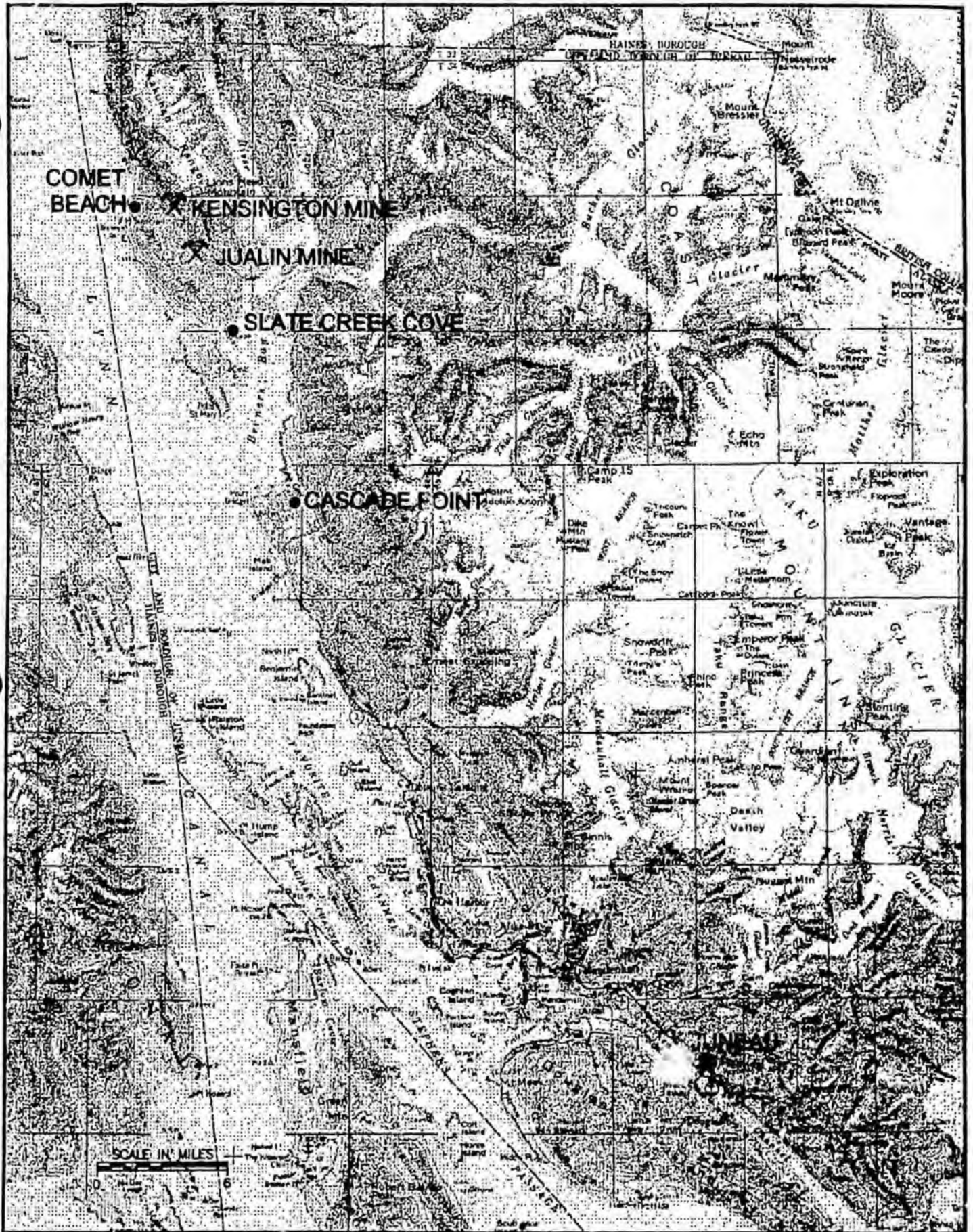
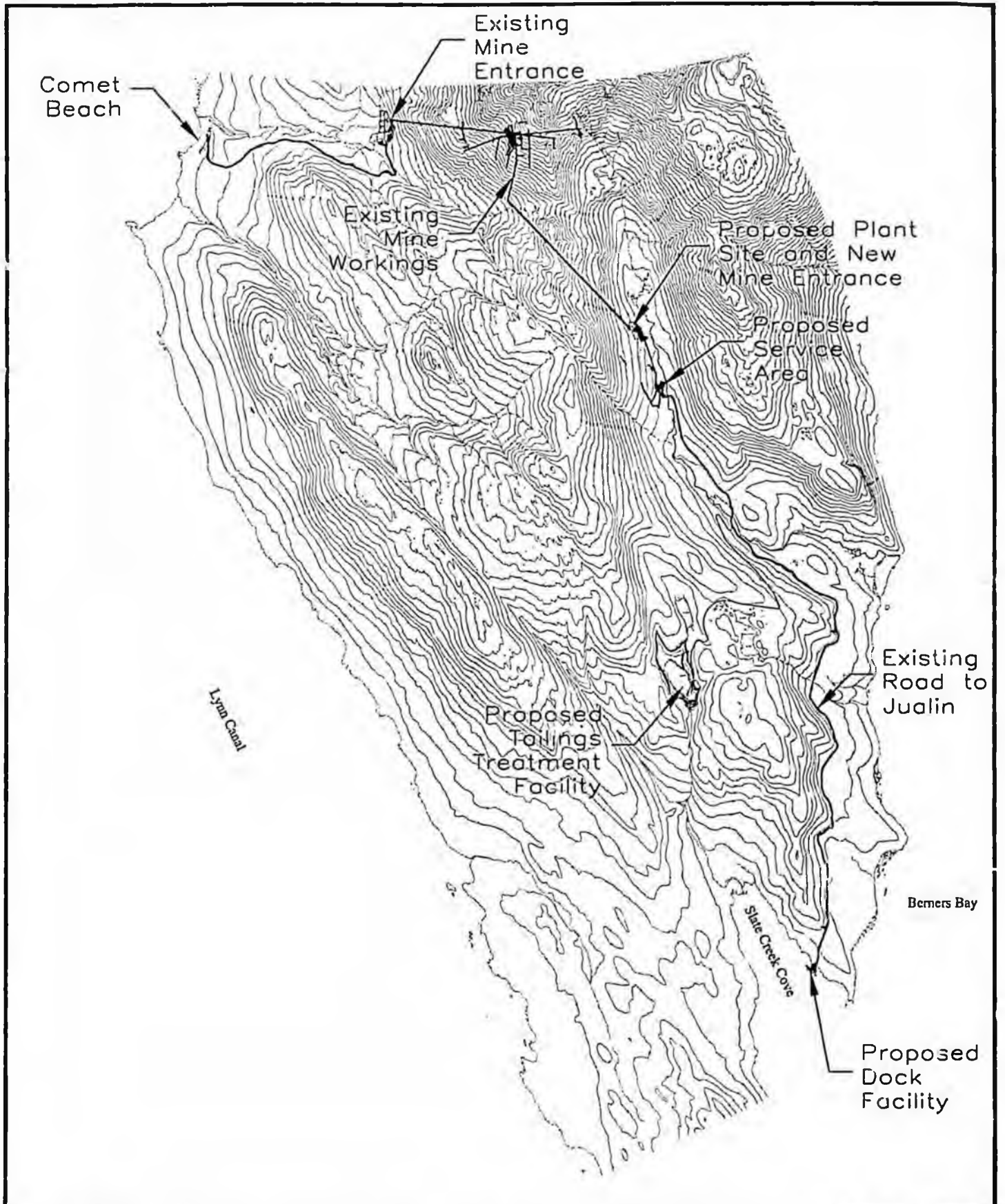


FIGURE 2
SITE ACCESS PLAN

| | |
|-----------------|-------------|
| Date: | APRIL 2000 |
| Project: | 100618 |
| File: | ROUTING.dwg |



Scale 1"=5000'

Coeur Alaska Inc.
Kensington Gold Project

Date: April 28, 2004
Drawn By: G.B.

Project Area



COEUR
THE IRON & METALS COMPANY

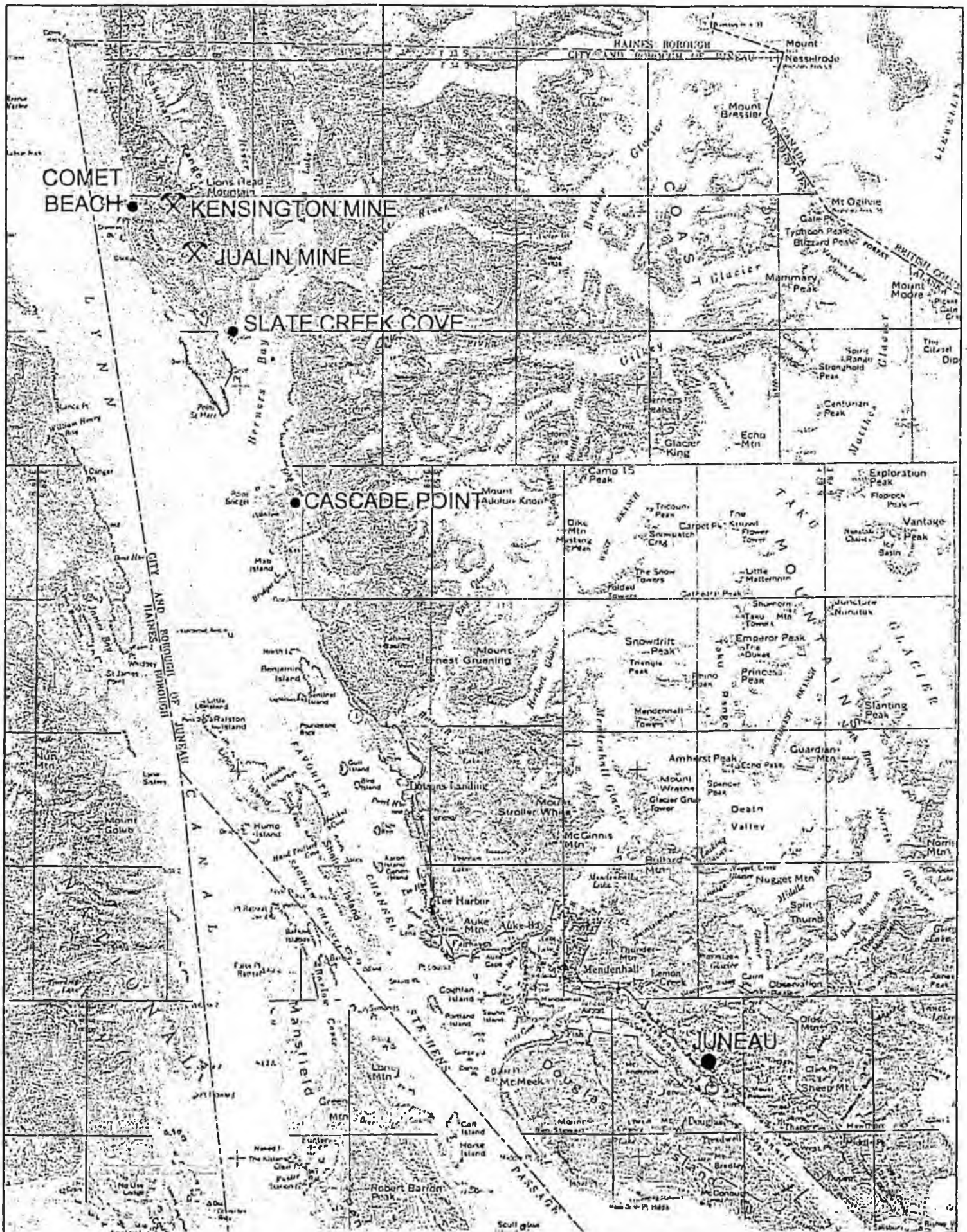


FIGURE 2
SITE ACCESS PLAN

| | |
|----------|-------------|
| Date: | APRIL 2000 |
| Project: | 100619 |
| File: | ROUTING.dwg |

Kensington (Alaska)

In 2004, Coeur's major gold project – Kensington in Alaska – neared completion of permitting and an updated feasibility study, with a construction decision expected by mid-year. Given an 18-month construction timeframe, Kensington could begin production as soon as 2006, increasing current company-wide gold production levels by 90%.

New optimization of the project, located 45 miles north of Juneau, enables the mine to be up and running more quickly, with a focus on the highest-grade material. Initial production is expected at 100,000 ounces of gold a year at an average cash cost of \$195 per ounce. Current reserves stand at 1.0 million ounces of gold, with an initial 10-year mine life and significant exploration upside. There are an additional 7.2 million tons of mineralized material measuring 0.12 ounces per ton of gold. Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. Coeur still views its interests in the district as holding up to five million ounces of gold.

Kensington is expected to cost approximately \$75 million to build. The updated feasibility study reduces the size of the mill facilities and has the potential to significantly reduce capital and operating costs while allowing for future expansion of production as market conditions warrant.

Early this year, the major Draft Supplemental Environmental Impact Statement was Issued for Kensington, and all necessary remaining permits expected to be in place by the second quarter.

The Kensington ore deposit consists of multiple, precious metals bearing, mesothermal, quartz, carbonate, pyrite vein swarms and discrete quartz-pyrite veins hosted in the Cretaceous age Jualin diorite. The gold-telluride-mineral calaverite is associated with the pyrite mineralization.

Year-end Proven and Probable Ore Reserves - Kensington Property

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--------------------------|-------------|-------------|-------------|
| Tons (000's) | 4,113 | 10,946 | 10,946 |
| Ounces of gold per ton | 0.24 | 0.16 | 0.16 |
| Contained ounces of gold | 1,003,000 | 1,751,000 | 1,751,000 |

Year-end Mineralized Material

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|------------------------|-------------|-------------|-------------|
| Tons (000's) | 7,262 | 12,014 | 12,014 |
| Ounces of gold per ton | 0.12 | 0.12 | 0.12 |

The reduction in the proven and probable reserves estimate in 2003, compared to 2002, is the result of the revised mine plan which focuses on higher-grade areas of the mine.

Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. In addition, the Company possesses the right to develop the Jualin property, an exploratory property located adjacent to the Kensington Property. The Jualin property consists of approximately 9,400 acres, of which approximately 345 acres are patented claims. The Company's rights to develop the Jualin property are subject to an agreement which must be renewed in May 2008.