

SPONSORSHIP OF STATE COMMEMORATIVE MEDALLIONS: A FEASIBILITY STUDY FOR HAWAII

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FOREWORD

This study on the feasibility of a state-sponsored program to mint gold and silver medallions was undertaken in response to House Resolution No. 208, H.D. 1, adopted during the 1987 legislative session.

The report examines the current trends, both nationally and internationally, of the production and sale of precious and nonprecious coins and medallions as a revenue-raising device of national and state governments, with findings and recommendations as to a Hawaii-sponsored program.

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GLOSSARY

Assay:	To determine the quality and quantity of a metal, particularly a precious metal, in an ore by means of chemical testing.
Bronze:	An alloy of copper, usually combined with tin.
Bullion:	Uncoined precious metal in the form of bars, ingots, or plates.
Coin:	A piece of metal marked with a device, issued by a government, and intended to be used as money.
Commemorative:	A piece issued to mark, honor, or observe an event, place, or person, or to preserve its memory.
Intrinsic Value:	The value of a piece measured by its metallic content as distinguished from its face value.
Legal Tender:	Money explicitly determined by a government to be acceptable in the discharge of debts.
Medal:	A piece of metal, marked with a design or inscription, made to honor a person, place, or event.
Medalet:	A medal, an inch or less in diameter.
Medallion:	A medal, usually more than three inches in diameter.
Mint Mark:	A letter or other symbol, indicating the mint of origin.
Money:	A medium of exchange.
Numismatics:	The study and collection of money and medals.
Obverse:	The side of a numismatic item which bears the principal device. On U.S. coinage, generally the date side.
Planchet:	The disc of metal or other material on which the dies of a coin, token, or medal are impressed.
Reverse:	The side of a numismatic item opposite to that on which the principal device is impressed.
Secondary Market:	Buying and selling of coins and other numismatic pieces after the initial retail sale.

Chapter 1

INTRODUCTION

During the 1987 Regular Session, two House bills were introduced relating to the authorization of minting official State of Hawaii gold and silver medallions.¹ These bills did not get beyond first reading in the house of origin. Subsequently, House Resolution No. 208, H.D. 1 (see Exhibit A in the Appendix), was adopted requesting the Legislative Reference Bureau to conduct a feasibility study on state authorization for the minting of pure gold and silver state commemorative medallions.

Salient Points of H.R. No. 208, H.D. 1

The principal assumptions and concerns articulated by H.R. No. 208, H.D. 1, appear to encompass the following:

- (1) The present healthy general fund revenue surplus is not expected to continue indefinitely. There is therefore a timely need to undertake new and creative approaches to generate revenues within the State's overall economic policy scheme. Royalties collected from the sale of officially authorized State of Hawaii gold and silver medallions are a viable means of generating revenues at no cost to the State.
- (2) Official state medallions in gold and silver of varying sizes and weights, with a design reflecting the native ethnicity of the islands, underscoring Hawaii's historical sovereign past and the cultural pride of its residents, could be used as invaluable tools in promotional and marketing programs for local investors, businesses, residents, and government and would be highly compatible with Hawaii's tourism industry and its related support industries.

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- (3) It is not the intent that the State compete with local coin mints, dealers, and jewelers who have been or are manufacturing, marketing, or selling commercial commemorative gold and silver coins.
- (4) California and Texas have enacted similar legislation with much initial success.

The feasibility study requested of the Bureau is to include the following:

- (1) Evaluate and analyze experiences and success rates of other states that have enacted legislation in this area and develop proposed legislation for Hawaii.
- (2) Prior to undertaking the report, the Bureau is to convene a meeting of certain named parties for the purpose of discussion and information gathering.
- (3) Estimated revenue projections are requested under the following scenarios:
 - (a) General excise tax exemption for sales over \$1,000 occurring within and outside Hawaii;
 - (b) General excise tax exemption for all sales anywhere;
 - (c) No general excise tax exemption; and
 - (d) Under various royalty arrangements and recommendations as to the best possible arrangement for the State.
- (4) Recommendations as to:
 - (a) Whether striking and primary distribution of medallions should be done only within the State;

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- (b) Sizes and weights of medallions;
- (c) Appropriate administering state agency or agencies and the procedures regarding authorization of minting contracts, including bonding requirements and overseeing process of distribution;
- (d) Creation of a two-way market; and
- (e) Feasibility of a public contest or survey on the design for the medallion.

Methodology

The Bureau has deviated from the direction of the resolution in one respect. Instead of convening the nine or so named parties for a discussion and information-gathering session prior to undertaking the study, the Bureau contacted each named party or a representative thereof individually by telephone or by personal interview for discussion and information-gathering. Based on the leads obtained from these contacts, together with leads obtained from an independent review of articles and other written materials, data gathering along more specific lines was undertaken. An invitation was extended to the above-referenced parties to attend an open discussion session following a briefing on what had been uncovered in research done after the initial contact. There was also circulated at that meeting a questionnaire soliciting the views of the attendees of the various matters raised in House Resolution No. 208.

Other data gathering activities included review of a Nevada Legislative Counsel Bureau study on the same topic, other written material including coin newspapers, magazines, treatises and catalogs, business periodicals, and newspaper articles. A survey questionnaire was sent to the other forty-nine states. Interviews, both by telephone and in person, were conducted with

various individuals, in addition to those specifically directed to be contacted in the resolution, who had been or were involved in medallion sales projects.

Organization of the Report

The report consists of the following:

A glossary of relevant terms.

Chapter 1 is the introduction.

Chapter 2 discusses the American experience in the use of precious metals.

Chapter 3 discusses the minting and marketing of precious and nonprecious metal medallions.

Chapter 4 discusses the current bullion sales phenomenon.

Chapter 5 discusses certain factors relevant to the production and distribution of coins and medallions.

Chapter 6 contains findings and recommendations, followed by various appendices, including proposed legislation.

Chapter 2

PRECIOUS METALS AND THEIR USE--THE AMERICAN EXPERIENCE

Introduction

To give an orientation and focus to this study on the minting of gold and silver commemorative medallions by the State, our story begins with the early New England settlers to America. In carrying on trade during the colonial years, the forerunners of precious and nonprecious coins included such items as beaver skins, wampum,¹ bullets and tobacco. Local legislative bodies would enact laws prescribing what the value of these items were.² In Hawaii, from the time of its discovery in 1778 by Captain James Cook, items serving as mediums of exchange included nails,³ iron,⁴ firearms, ammunition, naval stores, cloth, liquor, and sandalwood.⁵

Use of Precious and Other Metals--A Brief History

As a Medium of Exchange. A medium of exchange is an asset or thing that is generally accepted, not for its intrinsic value, but to facilitate further payments. The asset or thing must have general acceptability for it to circulate as a medium of exchange. Some things, or commodities, evolve in usage to become money for reasons that are not well understood. Gold and silver fall into that category.⁶

During the early settlement of America, a barter system adequately served the needs of the colonists. However, as the inhabited areas of the New World expanded their borders, population grew and trade, particularly with people from foreign countries, developed, coins were more and more demanded in payment for merchandise. Any foreign coins were accepted. One coin in particular, the Spanish milled silver dollar or "real", also known as pieces of eight, was a standard circulating medium of exchange throughout the entire colonial period and continued as such until 1857.⁷ In the early

1800s, pieces of eight⁸ or one-eighth of a real (12-1/2 cents) was in popular use in Hawaii since 12-1/2 cents represented the customary day's wage for a laborer.⁹

America's mother country, England, was not very sympathetic to the mercantile needs of the colonies and consistently failed to provide coins or small change currency for their use in trade. Consequently, the settlers were left to their own devices. The Massachusetts Bay Colony around 1616, by authority granted to one John Hull by the local legislative body,¹⁰ was the first to mint coins in America. Other colonies followed with varying degrees of success. Pieces minted in copper and silver, the work of enterprising entrepreneurs both in England and America, such as Lord Baltimore in Maryland, Mark Newby in New Jersey, Reuben Harmon, Jr., in Vermont, John Higley in Connecticut, and Ephraim Brasher in New York, saw extensive usage in commerce.¹¹

The various gold rushes¹² also gave rise to the minting of "private gold", that is, pieces of various shapes, denominations, and metal content which were circulated in the areas of the country where gold strikes occurred and used as a medium of exchange, unsanctioned by government, as a matter of necessity because of the scarcity of regular coinage.

Prospectors found that rather than trade for merchandise and services in gold dust or nuggets, they were less likely to be cheated out of the value of their precious metal if it were converted to refined and coined gold, even with a charge for doing so. Thus, goldsmiths and assayers, such as Templeton Reid in Georgia and California, the Bechtlers in North Carolina, and Norris, Greig and Norris and Moffat and Company in California, provided a much needed service for gold prospectors.

In Hawaii, government sanctioned scrip and tokens were issued by private individuals and served as circulating medium for some fifty years. The earliest form of local money was Kauai's Ladd and Company's one hapawalu (12-1/2 cents) scrip issued in 1837 as part of a day's wages and usable at the company's plantation store.¹³ The earliest known token was

called "hale meli" (bee hives), minted in pewter sometime in the 1860s at the behest of John T. Waterhouse, proprietor of two business concerns. What function the token served is unknown. Tokens of 1871 and 1880, issued by the Wailuku Plantation in various denominations in copper and brass, could be redeemed for merchandise at the company store as were the one rial copper token issued by Haiku Plantation in 1882 and the 12-1/2 cents copper tokens issued by the Grove Ranch Plantation in 1886 and 1887, while the Kahului and Wailuku Railroad's 12-1/2 cents and 25 cents copper tokens of 1879 and the 1891 Kahului Railroad's brass tokens ranging in value from 10 cents to 75 cents were redeemable by the railroad's employees at the T. H. Hobron's general store in Kahului. Although the privately issued indicia of exchange were not legal tender but were intended for use limited to the issuer's requirements, they, in fact, saw service throughout the islands as a medium of exchange.¹⁴

As Legal Tender. Legal tender is any asset or thing usable in payment of what is owed and that has been so declared by law.

Although the Articles of Confederation provided that only Congress had the right to control the content and value of coin minted by the national government or by the states,¹⁵ it was not until April 2, 1792, that Congress finally enacted a law which led to the beginnings of a United States coinage. In that Act, gold content was specified at a fineness of .9167 with weights ranging from 67-4/7 standard grains for the \$2.50 gold piece to 270 standard grains for the \$10 gold piece. Silver was specified at a fineness of .8924 with weights ranging from 20-4/5 standard grains for the silver half-dime to 416 standard grains for the silver dollar.¹⁶

The Mint Act of 1792 also adopted the dollar as the basic monetary unit and a decimal coinage ratio concept, both of which ideas reflected the Spanish dollar and its fractional parts heritage of the American monetary system. Thus, the language of the statute provided "that the money of account of the United States should be expressed in dollars or units, dismes or tenths, cents or hundredths, and milles or thousandths; a disme being the tenth part

of a dollar, a cent the hundredth part of a dollar, a mille the thousandth part of a dollar...." A silver-to-gold mint ratio of 15 to 1 was established, and a free coinage provision permitted gold and silver bullion to be converted into coins, weight for weight, at no charge. If immediate exchange were demanded however, a deduction of one-half of one per cent was imposed. The 15 to 1 ratio of silver to gold was a sincere and conscious attempt on the part of the government to establish the intrinsic metal value of a coin as close as possible to its face value since the 15 to 1 ratio was consistent with the market values of those precious metals in 1792. Indeed, it was preferable that a coin have a face value in excess of its metal value, in order that the coins be retained in circulation rather than be exported or hoarded and melted for their bullion value.¹⁷

The bimetallic standard conceptualized in the 1792 Coinage Act under which two metals backed money lasted until 1861.¹⁸ During these seventy years, many periods of coin shortages were encountered due to the imbalance of value between gold and silver. Because gold was undervalued in relation to silver, gold coins disappeared from circulation, being exported out of the United States and melted or simply melted in the United States by people who were knowledgeable about their intrinsic value as a precious metal. Matters became so serious that Thomas Jefferson as President ordered suspension of the mintage of gold and silver coins in 1804 as these were the most heavily exported pieces.

In 1834, Congress, to remedy the coin shortage situation, passed legislation reducing both the weight and fineness of the gold coins. This strategy worked for a time and gold coins began to circulate again until the advent of the Civil War caused people to hoard gold and silver coins, taking them out of circulation to assure themselves financial security in the event of war. To finance the Civil War and because precious metal hard money was virtually out of circulation, the federal government resorted to the issuance of "greenbacks". Since both banks and the Treasury had suspended payments in specie in December of 1861, these greenbacks were nothing more than unsecured IOUs of the United States government.¹⁹

After the Civil War up to the 1930s, the bulk of circulating money was paper, backed by gold or silver. As paper money usage continued and became accepted as commonplace in the United States, the gold and silver backing aspect gradually receded in prominence, so much so that in 1933, when President Franklin D. Roosevelt wanted to expand the money supply to stimulate the economy, he successfully effectuated the reduction of the legal requirement of gold backing from 100 per cent to 25 per cent. At the same time, by Presidential Executive Order No. 6260, effective August 28, 1933, all United States citizens were prohibited from holding gold coins or bars, other than jewelry, numismatic items, and gold fillings. The United States went off the gold standard completely in 1968 when the law was changed to provide that the maximum amount of paper money that could be issued was to be set by ceilings established by Congress.²⁰

Hawaii, as a kingdom, issued its first official coinage in 1847, a one cent copper piece. Because of the large size of the coin and its relatively low denomination, it did not circulate well in commerce and was a failure as money. Kingdom of Hawaii paper currency, 100 per cent backed with deposits in gold or silver, was first released in 1879 with issuance extending through 1897. These were replaced with Republic of Hawaii paper certificates, also backed 100 per cent with gold or silver deposits. Silver coinage, of various values ranging from five cents to one dollar were minted in 1883 and remained legal tender until December 31, 1903, even though Hawaii became a Territory of the United States on June 4, 1900. On January 14, 1903, President Theodore Roosevelt signed into law legislation providing for the redemption of Hawaii silver coins at par for U.S. coins. Although the redeemed coins were melted, dies of the obverse, which were defaced, remain at the State Archives.²¹

As a Commodity. Gold and silver, as commodities, have always been regarded as precious metals. The question that arises for a person who acquires or intends to acquire gold or silver as a commodity is what value to assign them at a particular point in time.

In the recent past, gold has reached a high of around \$800 an ounce in 1980 to a low of around \$280 an ounce in 1985 while silver went from around \$50 an ounce to \$5 an ounce in the same period.

Economics tell us that the price at which gold and silver sells is a function of supply and demand. However, the true economic value of, for example, silver is what it costs to produce it at a profit. If the price of silver is such that it does not cover the cost of production plus a desired profit, there will be no new production of the commodity. Then as the existing supply of silver in the market is depleted, the price of the remaining silver will rise, eventually to the point where the price will justify production again.

On the supply side, it has been estimated that the cost of producing silver worldwide from silver mining requires a price of from \$4 to \$6 an ounce to be profitable. If silver is produced as a by-product of other operations, the break-even point could be as low as \$2. It has therefore been said that the price of silver to sustain production is somewhere between \$2 to \$6 an ounce. The other factor affecting supply is the reliability of its producers. The biggest producers of silver are Canada, the United States, Mexico, and South America. To the extent that the country of production is politically and economically stable, supply of the precious metal is not susceptible to being cut off. On the demand side of the equation, silver's greatest user is the photography industry. Other uses include jewelry, dental filling, and coinage.²²

In the case of gold, it has been stated that supply and demand has been relatively in balance. However, because South Africa produces over fifty per cent of the world's gold, whether racial turmoil or stability prevails in that country is a factor to be reckoned with on the supply side of the value equation.²³

Aside from a supply-demand analysis, gold-silver traditionalists maintain that these precious metals gravitate toward an equilibrium of 30 to 1, that is, the true price relationship between silver and gold is a ratio of 30 to 1.

Thus, they maintain that at current prices of about \$7.50 an ounce for silver and \$450 an ounce for gold, silver is greatly undervalued.²⁴

In the real world, the prices for silver and gold are set on the major international money markets. Prices for these commodities are established at the start of each trading day first in Hong Kong, then in London, Zurich, and Paris. Thence, the price setting moves westward to New York and Chicago. London establishes benchmark prices for gold once in the morning and once in the afternoon. These are called the "London a.m. and p.m. fixings", prices set by the five leading precious metals dealers. For silver, the benchmark price is the "spot" price, the price of silver for immediate (or spot) delivery from major refiners. In trading gold and silver coins, however, dealers will adjust the prices quoted in London fixings and as spot by their own local supply-demand situations.²⁵

The values and prices for gold and silver as commodities depend upon many factors, some predictable, others unpredictable. It is advisable that the State in venturing into the world of precious metals be cognizant of the risks associated with their price volatility.

Chapter 3

THE MINTING AND MARKETING OF PRECIOUS AND NONPRECIOUS METAL MEDALLIONS

Introduction

Medals are pieces of metal, on which are engraved a design or inscription, to commemorate a person, place, or event. Medallions are medals, generally more than three inches in diameter. Closely allied to medals and medallions, and of which we have described examples of usage in the previous chapter, are tokens. Tokens usually are comprised of a piece of durable material appropriately inscribed and issued without official sanction to be used as a medium of exchange or for advertising, promotional, or other purposes. For example, during the period 1833-1844, privately issued pieces struck in copper, known as "Hard Times Tokens", were circulated as cents because the community was experiencing a time of severe financial panic due to a lack of circulating coin caused by the hoarding of hard money.¹ In Hawaii, both pre- and post-Kingdom of Hawaii coinage and private issues of tokens and scrips, issued by the plantations and businesses, served as a medium of exchange of necessity.

The Hawaiian Money Standard Catalog lists some 487 different tokens² under categories of amusement, bakery, commercial, dairy, military, saloon, school lunch and cafeteria, transportation, and wooden. There are some 434 medals listed under the categories of personages, statehood, miscellaneous commemorative, Pearl Harbor, numismatist associations, fraternal, and the various chamber of commerce dollars of the major islands.³ The above enumeration is by no means exclusive. It is fair to say that Hawaii has an extensive history in the use of medals and tokens for a variety of purposes.

Issuance of Precious and Nonprecious Metal Medallions by the States

Nationally. In June of 1987, the Bureau circulated a questionnaire to the other forty-nine states to obtain information on their minting of bullion or commemorative type coins and medallions. The questionnaire transmitted was partially filled in based on information gathered by the Bureau and the respondents were asked to verify the data or to fill in the missing information. Responses were received from all but five states. The transmittal letter and questionnaire are included in the Appendix as Exhibit B.

Commemorative type medallions have been authorized and issued at one time or another by fifteen states, not including Hawaii. Table 1 displays the individual states that have done so along with data on the weights, metal types, selling prices, royalties, administering agencies, and other information of interest that may have been furnished. It appears that the most popular event for which commemorative medallions are authorized to be struck is the anniversary of statehood, either a centennial, sesquicentennial or bicentennial. The year of authorization of these issues ranges from 1961 for Kansas to 1987 when legislation was passed authorizing the minting of medallions for the centennial commemoration of statehood for North Dakota. However, in the case of the latter, details of the metal types, weights and other specifications have not yet been established.

The most expensive individual commemorative medallions are those cast in platinum. In 1967, Nebraska minted ten 1-1/2-inch medals, serially numbered from one to ten at a cost of \$550 each, which were used for presentation purposes only. The other platinum issue consisted of twenty platinum medallions weighing 40.658 grams each issued in connection with the 1963 centennial celebration of West Virginia's achieving statehood. Other metals favored for the minting of medallions are gold, silver, bronze, and copper in weights of 1, 1/2, 1/4, and 1/10 ounces or sizes ranging from 2-1/2 inches to 1-5/16 inches in diameter. There were also instances where units of three or four coins of various metallic composition and weights were packaged and

Table 1

**COMMEMORATIVE MEDALLIONS
ISSUED OR AUTHORIZED BY THE STATES**

STATE & ADMINISTERING AGENCY	YEAR AUTHORIZED	GOLD				SILVER			BRONZE			OTHER METAL		
		WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	
ARIZONA ¹ Arizona Diamond Jubilee Comm.	1986	1 oz 1/2 oz	\$739 \$379	5% 5%	1 oz	\$26.95	5%				1-3/4 oz copper	\$9.95	5%	
ARKANSAS Arkansas American Rev. Bicentennial Celebration Comm.	1976				1 oz	\$5	\$2	1 oz	\$1	50¢				
IDAHO Idaho Centennial Comm.	--				1 oz	\$19.90	\$7							
ILLINOIS ² Illinois Sesqui- centennial Comm./ Illinois Bicen- tennial Comm.	1968				Dollar Size	\$7.50	--	Dollar Size	\$1	--				
	1973-76				Dollar Size	\$12.50	--	Dollar Size	\$3.50	--				
IOWA State Treasurer's Office	1972				1 oz	\$10	\$6.50	1 oz	\$3	\$2.50				
KANSAS State Historical Museum	1961				1/2 oz	\$17	--	1/2 oz	\$7.50	--				
MAINE Maine State Sesquicentennial Comm.	1968 or 1969				1-1/2 oz 2-1/2 oz	\$12 \$40	-- --	1-1/2 oz 2-1/2 oz	\$2 \$5	-- --				
MARYLAND State of Maryland Archives Bicen- tennial Office	1985							2-1/2 oz 1-1/2 oz	\$8 \$6	\$4 ³ \$3				
NEBRASKA Nebraska Centen- nial Comm.	1967				1-3/4 oz ⁴	\$10	\$6	1-5/16 oz 1-3/4 oz 2-3/4 oz	\$1 \$3.50 \$5	75¢ \$2.75 --	1-1/2 oz Platinum ⁵	\$775	\$225	
NEVADA ⁶ Nevada State Museum	1978													

STATE & AUTHORIZING AGENCY	YEAR AUTHORIZED	GOLD				SILVER			BRONZE			OTHER METAL		
		WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	WEIGHTS OR SIZES	SELLING PRICE	ROYALTY	
NORTH CAROLINA Dept. of Cultural Resources-- America's 400th Anniversary	1984	1 oz	\$950	10%	1 oz	\$60	10%	--	\$5	10%				
NORTH DAKOTA ⁷ North Dakota Centennial Comm.	1987													
SOUTH DAKOTA Bureau of Administration	1986	1 oz	\$695	⁸	1 oz	\$24.95		1 oz	\$9.95		⁹			
TEXAS ¹⁰ Texas 1986 Sesquicentennial Commission	1985	1 oz 1/2 oz 1/4 oz 1/10 oz	-- -- -- --	-- -- -- --	1 oz	--	--							
WEST VIRGINIA ¹¹ Dept. of Culture and History	1963				.585 oz	\$12.50	--	.6875 oz	\$2.50	--	40.658 gms Platinum	\$500	--	

Source: Legislative Reference Bureau questionnaire of June 26, 1987. See Appendix for copy.

¹Also sold 3-coin set of 1/2 oz. gold, 1 oz. silver, 1-3/4 oz. copper at \$455 and a 4-coin set of 1 oz., 1/2 gold, 1 oz silver, 1 oz. copper at \$1,195.

²Illinois Sesquicentennial Celebration and Illinois Bicentennial.

³Paperweight.

⁴Numbered and registered.

⁵Presentation only.

⁶37,000 medallions in bronze, copper, nickel, and silver.

⁷Proposed.

⁸Royalties for these and the following sets are 7% of retail or 14% of wholesale prices.

⁹Also issued: 1,000 numbered sets of one each 5 oz. gold, silver, and bronze medallions (centennial set) priced at \$3,500.
3,000 numbered sets of one each 1 oz. gold, silver, and bronze medallions (South Dakota set) priced at \$755.

¹⁰Called "Lone Star" medallions.

¹¹Issued for 1963 statehood centennial.

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marketed as a set. Illinois' 1973-76 bicentennial statehood issue involved four different designs executed over a span of four years. Nearly all of the state-sponsored medallions were struck under contract with private mints such as the Lincoln Mint of Chicago, the Medallic Art Company of New York, and Rarities Mint, Inc. of California.⁴

In Hawaii. Although, as has been pointed out previously, Hawaii has had an extensive history in the issuance of tokens and medallions, most of these issuances have been privately sponsored. Officially connected releases, particularly post-Monarchy, have been rare. The Hawaiian Money Standard Catalog⁵ identifies some thirty-five different medals issued with royal sanction. These range from pieces commemorating the birth of King Kalakaua to those representing a mark of royal favor for meritorious service. In design, the pieces range from the traditional circular shape to a diamond⁶ shape to a circular medal surrounded by a Maltese Cross.⁷

In more recent times, the only officially connected issues appear to be those issued in conjunction with the Bicentennial of the American Revolution, 1776-1976 and the 25th Anniversary of Hawaiian Statehood. In both instances, the medals were the work of private entrepreneurs. The Hawaii Bicentennial medal was one in a fifty-state issue produced by the Franklin Mint. The design of Hawaii's medal, as were the designs of the other forty-nine states' medals, was selected after an open competition. The obverse of the medal depicted busts of George Washington and King Kamehameha while the reverse displayed nine petroglyph figures in a circle with the inscription "State of Hawaii Friendship of Peoples". These medals were minted in bronze and silver, of which the latter comprised 20,240 sets at an issue price in 1973 of \$12.50 each. The Hawaii Bicentennial Commission sold a single silver medal at \$40.⁸

The most recent instance of state involvement in a medallion issue was the recognition by the 1984 Hawaii Statehood Silver Jubilee Committee of a Hawaii Jaycee project of a specially minted silver commemorative coin. According to members of the Jaycees who worked on this project,⁹ it ran for

PRECIOUS AND NONPRECIOUS MEDALLIONS

about two years, beginning prior to June 28, 1983, and ending after August 21, 1984. The medallions minted were of three varieties, all weighing one ounce, commemorating the 25th Anniversary of Hawaii's Statehood. Approximately 15,000 to 20,000 medallions were struck in silver with a limited edition numbered 1 to 5,000, and the rest unnumbered. These sold for \$30 each, \$35, if mailed. The approximate cost of production, including advertising, was about \$16 each. Of the coins produced, seventy per cent were wholesaled, with the remaining thirty per cent sold at retail. The profits on each coin were divided between commissions to the sellers, \$2 per coin to the Statehood Silver Jubilee Committee, and the balance to the Jaycees running the project.

In addition to the silver medallions, there were four pieces minted in gold which were presented to the major benefactors of the project and 200 pieces minted in copper which were presented to various key Jaycee workers. The design of the medallion was based on one selected after an open competition. The production of the medal was handled by Barry Bellefontaine who then ran a coin investment service called Arista, and who now is the president of American Rare Coins and Precious Metals of Hawaii.

The Hawaii Silver Jubilee project was summarized in the Final Report of the 1984 Hawaii Statehood Silver Jubilee Committee, Office of the Governor, dated December 31, 1985 as follows:

Outstanding Contributor

The Hawaii Jaycees, an organization of young persons between ages 18 and 35, became the outstanding private contributor through sales of a specially-minted silver commemorative (sic) coin. Its donation to the Committee of \$2.00 for each Silver Jubilee commemorative coin sold aggregated \$19,300.00

Although the Jaycees did make a nearly \$20,000 contribution to the Silver Jubilee Committee, the persons interviewed felt that they could have

SPONSORSHIP OF STATE COMMEMORATIVE MEDALLIONS

done better with closer monitoring and tighter control over the manufacturing and distribution process. Proper promotion of the product was also cited as a prerequisite to success.

The sale of precious and nonprecious metal medallions as a bullion product, as will be discussed in the following chapter, may show greater promise as a source of new revenue. With respect to the sale of commemorative medallions as a revenue raising device, the response of the Maryland Department of Legislative Reference to our questionnaire, we believe, aptly summarizes the position of the various states in marketing commemorative medallions: "According to the Bicentennial (sic) Office, although the coins and their packaging are quite attractive, the coins and paperweight have not sold extremely well. Perhaps, since Hawaii intends to mint gold or silver coins, greater marketing success may be achieved."

Chapter 4

THE BULLION PHENOMENON

Introduction

Recently, perhaps triggered by the unrest in South Africa, which caused disruptions in the production of this major world gold supplier, leading to the running up of the price of gold from the \$325 per ounce range to one in excess of \$400 per ounce, the nations of the world appear to be engaged in an international goldrush to cash in on the mania of collectors, investors, and speculators in the acquisition of tangible assets in the form of precious metal coins and medallions. Taking their cue from the supplanting of the Kruggerrand by the Canadian Maple Leaf as the most internationally collected gold bullion piece, the United States and other countries have joined the leading offerors with their own gold coin products. Even the individual states have entered into the gold bullion sweepstakes. This chapter discusses the international competition that has been and is developing in the precious metal bullion market and includes information on the recent entry into that market of three states--California, Texas, and South Dakota--and the pending Nevada legislation.

International Offerings of Precious Metal Bullion Coins

Shown on Table 2 are some of the more popular gold bullion coins offered by selected countries. Some issues have legal tender status and others are only marketed on a bullion basis. However, in all of the former cases, the worth of a coin on a precious metal commodity basis so far exceeds its worth as legal tender that any holder of such a coin would be foolish to use it at its face value. Of the various issues, the Panda coins of the People's Republic of China have shown the most spectacular results as an investment medium. First issued in 1982 as a four-coin set (1, 1/2, 1/4 and

Table 2
NATIONAL GOLD BULLION COINS

<u>COUNTRY AND YEAR FIRST MINTED</u>	<u>WEIGHT OF GOLD COIN IN OUNCES</u>	<u>LEGAL TENDER VALUE</u>	<u>POPULAR NAME OF GOLD COIN</u>
Australia/1986	1	\$100	Nugget (features largest individual gold nuggets found in Australia)
	1/2	50	
	1/4	25	
	1/10	10	
Canada/1979	1		Maple Leaf
	1/2		
Republic of China/1982	1	100 yuan	Panda
	1/2	50	
	1/4	25	
	1/10	10	
	1/20	5	
Mexico/1943	1	50 peso	Onza
	1/2		
	1/4		
Singapore/1986	1		Singold (each annual design depicts an animal in 12-year lunar calendar cycle)
	1/2		
	1/4		
	1/10		
	1/20		
Switzerland/1986	1		Helvetia (unzie)
	1/2		
	1/4		
	1/10		
United States/1986	1	\$50	Eagle
	1/2	25	
	1/4	10	
	1/10	5	

Source: "A Guide to Gold Bullion", Gold and Precious Metals Update '87, Spring 1987, pp. 43-47.

1/10 ounce) with a fifth (1/20 ounce) gold coin added in subsequent years, the Pandas have commanded huge premiums in the secondary market. For example, an original 1982 one ounce gold piece, which sold for about \$430 (the spot price of gold at that time), now brings approximately \$2,000, if one can be found.¹ The 1983 and 1984 issues also have appreciated substantially. The extraordinary success of the Pandas can be attributed to the quality of the product, the captivating and attractive designs which are changed each year, the limited annual mintage, and strong dealer promotion. Pandas, at issue, sell at a modest premium over bullion price, a situation which obtains for all the bullion issues. The nine per cent premium over bullion price asked for these coins, however, is among the higher mark-ups demanded. For example, the Kruggerrand, when it was widely traded, maintained only a one to two per cent mark-up over spot; the Maple Leaf, three to five per cent; and the American Eagle, about five per cent.²

On a lower-priced commodity level, a favorite of silver position accumulators has been the Mexican Libertad, a one-ounce coin available to bulk buyers at a premium of less than \$1 a coin. Another favorite, the one-ounce silver Canadian Maple Leaf has been surpassed as market leader by the American Eagle.³ The \$1 silver Eagle is the first true silver bullion coin of the United States and was introduced in 1986. This coin sells on the basis of the spot price of its one troy ounce silver content plus a \$1 per coin United States' Treasury charge to distributors who buy in bulk quantities.⁴ The ultimate price to the retail purchaser is therefore the spot price plus \$1 plus dealer profit. In the first six months of issue, investors bought 2.2 million ounces of the American Eagle. By contrast, in all of 1985, about 1.9 million ounces of Maple Leaf were sold.⁵

As a numismatic investment, however, the success of the silver Pandas issued by the People's Republic of China has not been matched. Distributed in limited quantities in proof condition, a three-coin silver Panda set, comprising of three 10-yuan pieces, one each for the years 1983-85, with an issue price of \$100, now brings in excess of \$500 in the secondary market.⁶ The 1985 and 1986 silver proof Pandas, having a designated value of 5 yuan

each instead of the 10-yuan designation in the prior three years, promise to replicate the success of the earlier issues.

Bullion Offerings of the Individual States

One article⁷ attributes the recent wave of state-produced bullion pieces to the growing feeling of patriotism sweeping across the country and an attempt to capitalize on the "buy American" and products made in the U.S.A. movement. It is also noted that the opportunity for states to get onto the revenue-raising bullion bandwagon also arose from the 1985 ban on sales of the Krugerrand in America. Whatever the real reason for the entry of the several states into issuing their own bullion pieces, whether these ventures do result as a new source for substantial state revenues remains to be seen.

Table 3 displays in summary fashion information on the bullion offerings of the four states presently offering or proposing to offer bullion pieces. A detailed discussion of the programs of the individual states follows.

California. The earliest of the states to authorize state sponsorship of bullion type medallions, California in 1982, enacted legislation, now codified as Government Code sections 7551 through 7556, which authorizes the production of .999 fine gold medallions in 1-, 1/2-, and 1/4-ounce sizes. In 1986, a legislative amendment added an authorization for a 1/10-ounce medallion. Legislation enacted in 1985 provided for a state sales and use tax exemption on sales of California gold until January 1, 1988. Bulk sales of monetized bullion, nonmonetized gold or silver bullion, and numismatic coins (total transaction amount of \$1,000 or more) are exempt from sales and use taxes until January 1, 1991; thereafter only bulk sales of monetized bullion are so exempt (for text of statutes referred to, see Exhibit C in the Appendix).

The minting and marketing of California gold medallions are carried out by Rarities Mint, Inc., under contract with the California Department of General Services, which is the government agency charged with overseeing

Table 3

**BULLION TYPE MEDALLIONS
ISSUED OR AUTHORIZED BY THE STATES**

STATE & ADMINISTERING AGENCY	YEAR AUTHORIZED	PLATINUM				GOLD				SILVER				REMARKS
		WEIGHTS	SELLING PRICE	ROYALTY	WEIGHTS	SELLING PRICE	ROYALTY	WEIGHTS	SELLING PRICE	ROYALTY	WEIGHTS	SELLING PRICE	ROYALTY	
CALIFORNIA Dept. of General Services	1982				1 oz 1/2 oz 1/4 oz 1/10 oz	¹	\$4 \$2 \$1 50¢							Medallions are called "California Gold".
NEVADA Dept. of General Services	1987 Proposed SB 179	1 oz 1/2 oz 1/4 oz 1/10 oz		²	1 oz 1/2 oz 1/4 oz 1/10 oz		²	1 oz 1/2 oz 1/4 oz 1/10 oz		²				Also authorized bars of platinum, gold, and silver in weights of 100, 10, 5, and 1 ozs.
SOUTH DAKOTA Bureau of Administration	1986				5 oz 1 oz 1/2 oz 1/4 oz 1/10 oz 1/20 oz	³	⁴	5 oz 1 oz 1/2 oz		³	⁴			Medallions are called "bisons".
TEXAS State Purchasing & General Services Commission	1987	1 oz 1/2 oz 1/4 oz 1/10 oz		⁵	1 oz 1/2 oz 1/4 oz 1/10 oz		⁵							Designated as official state coins.

Source: Legislative Reference Bureau questionnaire of June 26, 1987.

¹Slight premium over commodity price.

²Royalty is usual and customary fee charged as commission by dealers.

³Selling price depends on market and a premium based on quantity ordered. See Table 3.

⁴Royalty is 5% of retail or 10% of wholesale price.

⁵Royalty is not less than 2% of sales price.

this program. The royalties charged for each piece is set by statute and amount to \$4 an ounce except for the 1/10-ounce piece for which the royalty is 50 cents. Revenues from the medallions are deposited into the state's general fund. Table 4, which was furnished to the Bureau by W. J. Anthony, Director of California's Department of General Services, shows the aggregate royalties from sales of California Gold from August, 1984 to May, 1987. In the transmittal letter accompanying the information provided, Director Anthony stated that the price of medallions varied with the price of gold. During 1986, the price of one-ounce medallions ranged from \$315.50 to \$399.50.

The design of the medallion is prescribed by statute and consists, on one side, of the Great Seal of the State of California, and on the reverse, a side view of the State Bear, with the inscription "California Gold", date, mint mark, medallion size, fineness, being .999 fine, and thirty-one small stars around the edge of the medallion.

South Dakota. Senate Bill No. 191, signed into law on March 15, 1986, provides for the minting and sale of commemorative South Dakota coins (see Exhibit D in the Appendix). South Dakota's law vests the administration of this program in the Bureau of Administration which is required to use South Dakota-produced gold, silver, or other nonprecious metals. The Bureau is also authorized to arrange for the production and marketing of centennial jewelry made of precious metals. Royalty fees are allowed to be charged for the use of the name and seal of the State, which is to be on one side of the centennial coin, with the other side to be chosen after a design contest, the winner of which is to be awarded a prize of \$1,000. Annual contests are authorized to be conducted for designs of future coin issues and annual prizes of \$1,000 are authorized to be awarded to the winning design to be paid out of royalty proceeds. Designs considered are restricted to South Dakota artists. Royalty proceeds are earmarked to the use of the state centennial heritage center, a facility to be constructed to house historical memorabilia of the state.⁸

Table 4
ROYALTIES FROM CALIFORNIA GOLD
8/84 THROUGH 5/87

	<u>Troy Oz. Minted</u>	<u>Royalties</u>
08/01/84 - 12/31/84	1250	\$5,000
01/01/85 - 02/28/85	783	3,132
03/01/85 - 03/31/85	940.75	3,763
04/01/85 - 04/30/85	0	0
05/01/85 - 05/31/85	450	1,800
06/01/85 - 06/30/85	236.25	945
Subtotal:	3660 oz.	\$14,640
07/01/85 - 07/31/85	330.25	1,321
08/01/85 - 08/31/85	1250	5,000
09/01/85 - 09/30/85	2500	10,000
10/01/85 - 10/31/85	1525	6,100
11/01/85 - 11/30/85	750	3,000
12/01/85 - 12/31/85	500	2,000
01/01/86 - 01/31/86	1217	4,868
02/01/86 - 02/28/86	761	3,044
03/01/86 - 03/31/86	600	2,400
04/01/86 - 04/15/86	341	1,364
04/16/86 - 05/15/86	307.25	1,229
05/16/86 - 06/15/86	572	2,288
06/16/86 - 06/30/86	176	704
Subtotal:	10,829.5	\$43,318
07/01/86 - 07/31/86	440.5	1,762
08/01/86 - 08/31/86	1117.75	4,471
09/01/86 - 09/30/86	1505	6,020
10/01/86 - 10/31/86	413.25	1,653
11/01/86 - 11/30/86	305.60	1,210.50
12/01/86 - 12/31/86	222.5	890
01/01/87 - 01/31/87	134	537.50
02/01/87 - 02/28/87	62.4	253.50
03/01/87 - 03/31/87	307.55	1,244.50
04/01/87 - 04/30/87	309.35	1,253.50
05/01/87 - 05/31/87	507.8	2,056
Subtotal:	5,325.7	\$21,351.50
TOTALS:	19,815.2	\$79,309.50

Royalties are \$4.00 per troy ounce minted except on 1/10 oz. medallions, for which royalties are \$.50 per medallion.

Source: Department of General Services, State of California.

SPONSORSHIP OF STATE COMMEMORATIVE MEDALLIONS

Pursuant to the legislative authorization, the South Dakota Bureau of Administration entered into an agreement for the production of commemorative medallions with Tri-State Refining and Investment Company.⁹ Among the contract provisions are the following:

Specifications of Medallions.¹⁰

On one side, the Medallion shall bear the Great Seal of the State of South Dakota (Exhibit D).

The obverse side of the Medallion shall bear the South Dakota Medallion design as it appears in Exhibit A with the words "South Dakota" and "1889-1989" appearing in the lower right-hand quadrant, and "State of South Dakota" appearing centered at the top of the Medallion. All Medallions shall be embossed with the symbol and words "State of South Dakota".

All Medallions, except antique bronze or gold-plated, shall have embossed ".999 Fine" on the obverse side centered at the bottom of the Medallion. All gold-plated Medallions shall be embossed with the words "24K GP".

All Medallions shall have reeded or serrated edges with not less than ten (10) per quarter inch, except as provided for in Section 5 A.(2) and B.(2) of this Agreement.

All gold and silver Medallions shall contain gold or silver mined and refined in South Dakota. Tri-State must be able to certify that the products produced were mined and refined in South Dakota. Base metals and other products may be purchased from corporate entities in other states.

All Medallions shall be produced in "proof-like" quality.

THE BULLION PHENOMENON

Quantities and Sizes.¹¹

Except for Limited Edition sets, as provided for in Section 5 of this Agreement, South Dakota single Medallions shall only be minted and offered for sale in the following quantities and sizes.

Number	Piece
Unlimited Numbers	1-1/4 inch diameter (.999) gold (1 oz.)
Unlimited Numbers	1-1/2 inch diameter (.999) silver (1 oz.)
Unlimited Numbers	1-1/2 inch diameter 10K Gold Plated bronze
Unlimited Numbers	1-inch bronze

Centennial and South Dakota sets.¹²

Centennial Set.

Tri-State shall provide a Limited Edition Series of 1,000 three piece sets. Each set shall contain one 5 ounce gold Medallion, one 5 ounce silver Medallion, and one 5 ounce antiqued bronze Medallion. Each Medallion in each set shall have the same general specifications as outlined in Section 3, herein.

Each Medallion piece in the set shall be embossed on the edge with a Medallion number with matching numbers in each set. The edges of the Medallion shall be as provided in Section 3(D.) except such edge shall be smooth at a location specifically between 5 and 7 o'clock for the placement of the numbers.

Each Medallion in the set shall be set in a clear plastic "Koin-tainer" or container of like quality to insure that the faces of the Medallion are not touched by surrounding surfaces.

Each set of matching Medallions shall be placed in custom-fit recessed slots within a solid walnut or walnut veneer case of

SPONSORSHIP OF STATE COMMEMORATIVE MEDALLIONS

appropriate size. The case shall be lined with royal blue velvet or velvet-like material and the lid shall be lined with satin-like material.

The outside of the front of the case shall have a securing device which will insure that the case will not open accidentally.

The top of the outside of each case shall contain an engraved plaque or embossed in wood, or inset, with the wording:

STATE OF SOUTH DAKOTA
1889 - 1989
CENTENNIAL MEDALLION SET
SET NUMBER _____ OF 1000 SETS

Each set shall be accompanied by a certificate of assay or guarantee by the State of South Dakota and Tri-State which guarantees the quality of the Medallion products within the set.

The certificate or guarantee shall also include a brief history, written by BOA, of the State's purpose for production of the Medallion set, and certification that the contents are mined minted in South Dakota. It is hereby understood that Tri-State is responsible for the production and inclusion of the certificates within each set.

South Dakota Set.

Tri-State shall provide a Limited Edition Series of 3,000 three piece sets. Each set shall contain one 1 ounce gold Medallion, one 1 ounce silver Medallion, and one 1 ounce antiqued bronze Medallion. Each Medallion in each set shall have the same general specifications as outlined in Section 3 herein.

THE BULLION PHENOMENON

Each Medallion in the set shall be embossed on the edge with a coin number with matching numbers in each set. The edges of the Medallion shall be as provided in Section 3(D.) except such edge shall be smooth at a location specifically between 5 and 7 o'clock for the placement of numbers.

Each Medallion in the set shall be set in a clear plastic "Koin-tainer" or container of like quality to insure that the faces of the Medallion are not touched by surrounding surfaces.

Each set of matching Medallions shall be placed in custom-fit recessed slots within a solid walnut or walnut veneer case of appropriate size. The case shall be lined with royal blue velvet or velvet-like material and the lid shall be lined with satin-like material.

The outside of the front of the case shall have a securing device which will insure that the case will not open accidentally.

The top of the outside of case set shall contain an engraved plaque or embossed in wood, or inset, with the wording:

STATE OF SOUTH DAKOTA

1889 - 1989

SOUTH DAKOTA MEDALLION SET

SET NUMBER _____ OF 3000 SETS

Each set shall be accompanied by a certificate of assay or guarantee by BOA and Tri-State which guarantees the quality of the Medallion products within the set.

The certificate or guarantee shall also include a brief history, written by BOA, of the State's purpose for production of the Medallion set, and certification that the contents are

SPONSORSHIP OF STATE COMMEMORATIVE MEDALLIONS

mined and minted in South Dakota. It is hereby understood that Tri-State is responsible for the production and inclusion of the certificates within each set.

Royalties.¹³

Tri-State shall pay to BOA for the use of the Great Seal of the State of South Dakota a continuing royalty based on the wholesale and retail price of all Medallions sold by Tri-State or any of its subsidiaries, divisions or affiliates. For the purposes of this Agreement, wholesale and retail price mean Tri-State's billing price to customers or distributors. For the purpose of this Agreement, the royalty has been calculated as follows:

For each Medallion authorized in Section 4, 5.0% of the retail price or 10.0% of the wholesale price; and

For each Limited Edition set authorized in Section 5, 7.0% of the retail price or 14.0% of the wholesale price.

Such royalties shall be calculated and paid on a monthly basis to BOA by the 15th day of the subsequent month and shall be accompanied by Tri-State checks in the amount of the royalty payments based on the sales made during the preceding month, e.g., royalties for the month of January shall be based on all wholesale and retail sales made during January. Such royalties are due and payable to BOA by the 15th day of February.

Since the South Dakota program is relatively new, there are no similar revenue reports such as that provided by California. However, Exhibit E in the Appendix presents copies of the Royalty Reporting Form and examples of order blanks and other advertising material used. Table 5 which follows displays a schedule of premiums asked for South Dakota pieces based on quantity ordered.

Table 5



PURE SILVER & GOLD BISON 1987

Precious Metal Prices will be quoted at the time of order at the current market price plus the premium listed below.



QUANTITY	$\frac{1}{2}$ oz.	1 oz.	5 oz.	10 oz.	$\frac{1}{20}$ oz.	$\frac{1}{10}$ oz.	$\frac{1}{4}$ oz.	$\frac{1}{2}$ oz.	1 oz.	2 oz.	5 oz.	10 oz.
	S.D. SILVER	S.D. SILVER	S.D. SILVER	S.D. SILVER	S.D. GOLD	S.D. GOLD	S.D. GOLD	S.D. GOLD	S.D. GOLD	S.D. GOLD	S.D. GOLD	S.D. GOLD
1-9	1.50	2.00	5.00	4.00	12.00	15.00	18.00	20.00	25.00	50.00	40.00	35.00
10-24	1.35	1.75	3.50	2.50	10.00	12.50	15.00	17.50	22.00	40.00	35.00	30.00
25-49	1.25	1.50	3.00	2.25	9.00	11.00	13.00	16.00	20.00	35.00	30.00	25.00
50-99	1.10	1.25	2.50	2.00	8.00	10.00	12.00	14.00	17.00	30.00	25.00	22.00
100-199	1.00	1.10	2.00	1.75	7.50	9.00	10.00	12.00	15.00	25.00	20.00	18.00
200-499	.90	1.05	1.50	1.25	7.00	8.00	9.00	11.00	14.00	22.00	18.00	16.00
500-999	.85	.95	1.00	.90	6.50	7.00	8.00	10.00	13.00	20.00	16.00	15.00
1000-2499	.75	.80	.90	.85	6.00	6.50	7.00	9.00	12.50	18.50	15.00	14.00
2500-4999	.70	.75	.85	.80	5.50	6.00	6.50	8.00	12.25	18.00	14.50	13.00
5000-9999	.65	.70	.80	.75	5.00	5.50	6.00	7.00	12.00	17.50	14.00	12.50
10,000-24,999	.60	.65	.75	.70	4.50	5.00	5.50	6.50	11.75	17.00	13.75	12.00
25,000-49,999	.55	.60	.70	.65	4.25	4.75	5.00	6.00	11.50	16.50	13.50	POR
50,000-99,999	.50	.55	.65	.60	4.00	4.50	4.75	5.50	POR	POR	POR	POR

All FRACTIONAL silver and gold are priced on a per piece basis.
All prices include delivery by First Class, Insured, Registered Mail.
P.O.R. = price on request. Prices are subject to change.

TRI-STATE MINT

1600 A Avenue, Sioux Falls, SD 57104

1-800-843-9854

Source: Bureau of Administration, State of South Dakota.

Texas. Texas is the most recent state to get off the ground with a bullion program. The legislation which goes into effect on September 1, 1987, according to Texas State Treasurer Ann Richards, will result in a request for proposals to be mailed to prospective bidders on that date.¹⁴ Coins, which under the statute, are denominated "official state coins", will be required to be minted before December 31, 1987. The text of the Texas authorizing legislation may be found in Exhibit F in the Appendix.

The bullion program is to be administered by the Texas State Purchasing and General Services Commission and royalty proceeds, specified in the statute to be not lower than two per cent of the sales price of the coins, are to be deposited into the general revenue fund. The Great Seal of Texas is to be depicted on the coin and the law prohibits the production, sale, or distribution of any coin bearing the Great Seal of Texas by any person except under contract with the commission.¹⁵ Official state coins are exempt from the Texas sales tax.

Nevada. Nevada came close to, but did not enact legislation authorizing a bullion program. A companion bill to the authorizing legislation did pass however. That bill, SB 230, which exempts bullion and commemorative medallion and bullion bars from state sales taxes, is subject to a ratification vote of the electorate at the next general election. The text of SB 179 (the authorizing legislation) and SB 230 can be found in Exhibit G in the Appendix.

Chapter 5

FACTORS TO BE CONSIDERED IN THE MINTING AND MARKETING OF PRECIOUS AND NONPRECIOUS COINS AND MEDALLIONS

Introduction

The manner and conditions in which precious and nonprecious metal coins and medallions, hereinafter in this chapter referred to generically as "collectors' coins", are produced and marketed and under which they are sold have an influence on the successful execution of a state's bullion program. This chapter discusses several such factors believed to be important--promotion, production costs, number of pieces, buy-back, and exemption from sales taxes.

Some Relevant Factors

Promotion. It may be said that the acquisition of collectors' coins for collecting or investment purposes generally would constitute expenditures of discretionary income. That is, they are not things that must be acquired as a necessity of life. As such, these items are subject to the competition of other products and commodities in the market place trying to capture the consumer's dollar. One strategy has been to hyperbolize, or otherwise, as the advertising professionals prefer to call it, promote the need of a particular collectors' coin by the collector, investor, or one merely shopping for a gift.

Promotion may take various forms. Sometimes, for example, especially in the marketing of medallions, design contests are instituted. The purpose of such contests is to drum up public interest in a forthcoming issue by providing information on what is to be produced and sold, and at what price, and the person or occasion that is being memorialized and why, while at the same time generating excitement through the sponsorship of a competitive

event. This competition usually culminates in a cash award and other recognition for the winning design. A recent example of a design competition that involved all fifty states was the Franklin Mint's Bicentennial of the American Revolution 1776-1976 issue of bronze and silver medals.

The 1986 legislation of South Dakota, previously discussed, authorizes annual design contests for the non-state seal side of the medallion. The 1987 United States 200th Anniversary of the Constitution commemorative gold and silver coins is the first design competition in national history instituted to obtain a commemorative coin design.¹

Promotion may also take the form of an appeal to the patriotism of the citizens of a country. Illustratively, advertisements for the United States gold and silver coins issued for the summer Olympic games held in Los Angeles emphasized that a portion of the sales proceeds would go toward support of U.S. athletes; that for the recent Statue of Liberty gold and silver American coins pointed out that part of the price was earmarked for the statue's restoration; and present promotional U.S. Mint materials state that part of the 1987 Constitution coin proceeds will go toward reducing the national debt.

Other promotional methods and devices include: minting coins from metals mined in the state or country of issue,² limiting the quantity of coins issued,³ distinguishing issues minted by mint marks inscribed on the coins,⁴ discounting the price of coins purchased before a certain deadline,⁵ and establishing a common theme for a multi-year issue.⁶

The variations on promotional approaches that may be used in the successful marketing of collectors' coins are virtually infinite, limited only by the creativity of those responsible for the program. It is therefore advisable that professionals and individuals knowledgeable about coins and related numismatic products be consulted prior to undertaking an offering of collectors' coins under state sponsorship.⁷

Production Costs. There are various costs associated with the physical creation of collectors' coins. Some of these are fixed costs; others variable. Among the former constituting capital assets, which may be classified as the hardware of the enterprise, are the following: coin press, rolling mill, blanking press, blast furnace, annealing furnace, equipment for tumbling, polishing, and operations, necessary tooling equipment such as holding collars, blanking equipment, etc. The one-time capital acquisition cost of this hardware ranges from \$250,000 to \$400,000.⁸

Variable costs are encountered in the creation of a mold incorporating the design to be impressed upon the piece to be minted. Costs would include such items as the fee for the artwork of the design, the cost of adapting the artwork to the medium of the piece to be minted, and the actual engraving of the design on the mold to be used. All of these necessary steps would aggregate in cost between \$3,000 to \$5,000. If one side of the collectors' coin is to utilize a common design, such as the reproduction of the state seal, for many companion pieces, it may be advisable to create a master die from which other molds may be easily reproduced. The expense of such an item would amount to about \$1,000 per master.

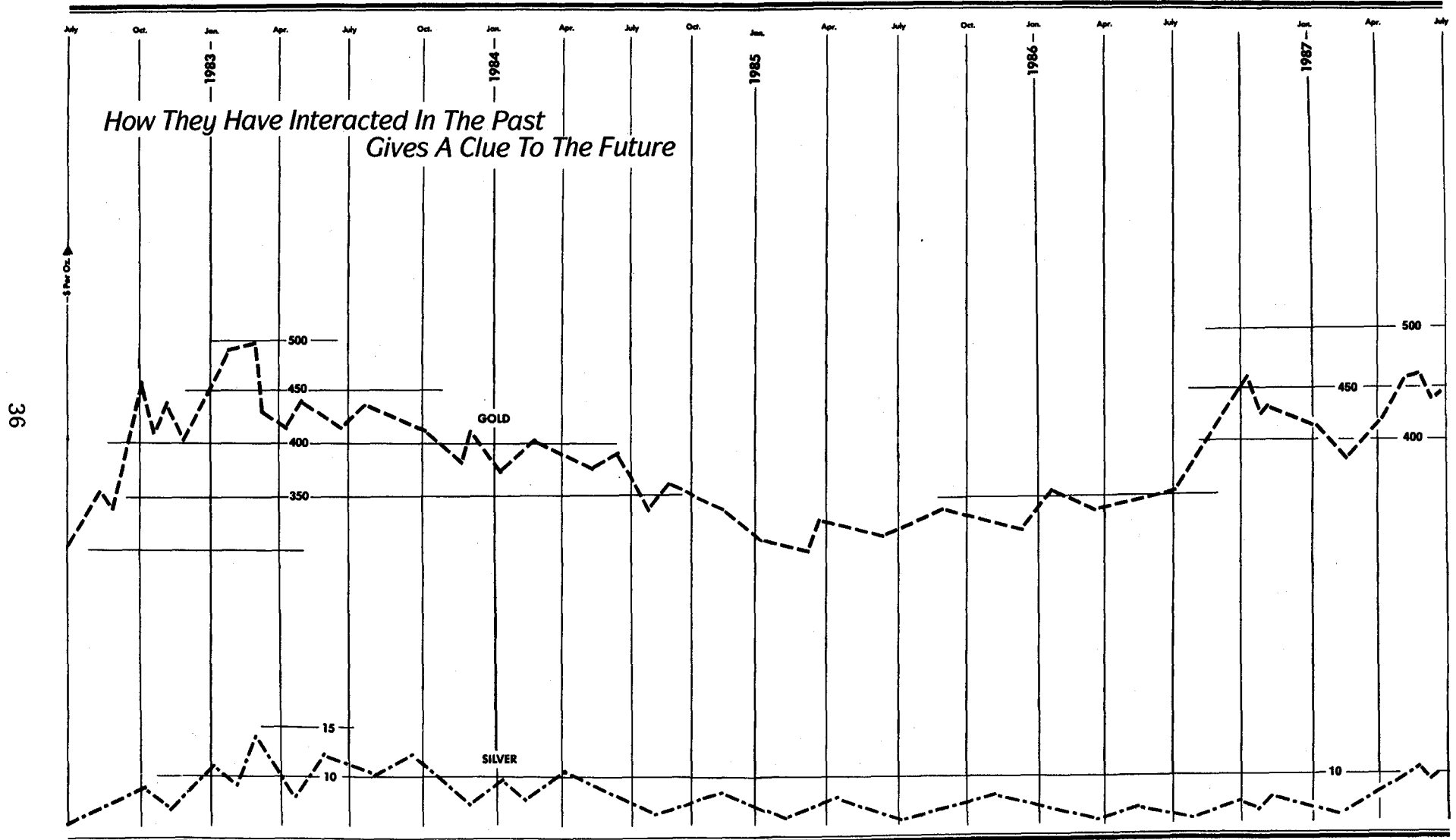
Another significant variable cost is the cost of the precious or nonprecious metal used in minting the piece. Figure 1 depicts the prices for gold and silver during the period July, 1982 to July, 1987. Gold achieved a high of \$500 an ounce between January and April, 1983 and hit a low of around \$280 an ounce between January and April 1985. Silver tracked gold, reaching a high of nearly \$15 an ounce and a low of around \$5 an ounce close to these peaks and valleys. The fluctuations in the prices of these commodities illustrate the considerable risk involved in the acquisition and stockpiling of raw materials needed to mint the collectors' coin pieces to be marketed.⁹

Other expenses that are associated with the cost of production would include overhead from operations, such as equipment maintenance expenses, security, insurance, and site preparation or acquisition. The foregoing discussion is not meant to be exhaustive but to give some idea of the

Figure 1

Precious Metals PRICES

For Gold and Silver
July 1982-July 1987



Source: Gold and Silver Update, Fall 1987, pp. 50-51.

magnitude and kinds of expenses that would be encountered if the State itself were to engage in producing collectors' coins.

Quantity Minted. The quantity of a coin or bullion piece minted affects its desirability. On the part of the producers, there is a desire to maximize the returns on bullion pieces. In the true bullion situation, the investor is primarily interested in obtaining a quality product in terms of purity and integrity of precious metal content at the lowest possible price. In other words, that individual is acquiring the gold or silver piece for its commodity content. The number of pieces minted is of secondary concern.

On the other hand, the collector or one who is acquiring a gold or silver piece from a numismatic standpoint is vitally interested in the mintage statistics, because if all characteristics of a particular collectors' coin are generally the same, the issue with the lower mintage figures will command a higher price in the secondary market. This merely reflects the operation of basic economic principles of supply and demand. It should also be noted that because increases in value occur in the secondary market, the primary beneficiary of such added value is not the producer of the collectors' coin but the buyer. The indirect benefit to a producer who has a consistent track record of attractive offerings is a continuous strong demand for all of its releases. A prime example of such a producer is the People's Republic of China with its Panda issues. The Panda issues are a bullion issue, with legal tender standing, but are purposely issued in limited quantities.¹⁰ The Singapore Singold issues, commanding a nine per cent premium over the price of gold like the Panda issues, held the mintage of one ounce gold coins in 1986 to 15,000.¹¹

The secret of success in terms of setting the number of collectors' coins to be minted is to establish a quantity that can be absorbed by the market within a reasonably short time after release. This is true even for bullion type pieces in terms of a long-range approach to maximizing sales. Total absorption by the market of a discrete issue creates a situation of scarcity in which those who want a particular collectors' coin will have to obtain the same

in the secondary market at the prevailing supply-demand price. If the appreciation and profit to the secondary market seller is significant, this factor will tend to encourage the seller to continue to buy or to increase purchases of subsequent issues by the same producer. As the demand for subsequent issues increases, the producer may gradually increase the quantity minted sufficient to meet increased demand but not so much as to flood the market. Decisions of this sort, however, should be made with the guidance of professionals knowledgeable in the marketing of numismatic bullion pieces.

Buy-back. Buy-back is a concept associated with collectors' coins produced with the highest integrity, and generally is particularly applicable to transactions in bullion. When the minter or producer of a collectors' coin has a reputation of unqualified acceptance of the purity and weight of the coin, dealers in the secondary market of a piece issued by that minter or producer will accept the same if in good condition at the purity and weight stated on the piece. This is important for individuals trafficking in a particular collectors' coin because it establishes a liquid market for that coin. Typically, the secondary trader will quote buy and sell prices at which it will engage in transactions in a given collectors' coin. A representative of Deak Hawaii, Inc., has stated that if Hawaii mints an acceptable collectors' coin, Deak Hawaii, Inc., would be interested and supportive of creating a buy-back market for one or more of the Hawaiian issues.¹²

The reputation and integrity of the producer of the collectors' coin cannot be overly stressed. In some instances, past reputation can make up for current deficiencies. For example, an article in one issue of a coin newspaper¹³ earlier this year reported on the criticism of Representative Frank Annunzio, D-III, chairman of the U.S. House Subcommittee on Consumer Affairs and Coinage, wherein the Representative complained that millions of underweight fractional American gold eagle coins had been sold by the U.S. Mint. Mint Director Donna Pope's answer was that slight variance had been normal practice over the years and would have no impact on the value of the coins in the market. The Mint did have a policy of a plus or

minus average tolerance ranging up to .8 per cent of weight for fractional coins. In the case of one ounce coins, however, there is a "zero minus tolerance", meaning that planchets for the one ounce issues may be somewhat over the nominal weight but not under. The present U.S. Mint policy has since been changed to require all pieces to conform to a "zero minus tolerance".

Buy-back, if achieved, would provide an additional dimension in the marketing of a collectors' coin. Additionally, if the acceptance of a national and international dealer in such coins can be secured, it would in turn broaden the market for the trading in such pieces from a local base to a global one.

Sales Taxes. Sales taxes, or the exemption therefrom of collectors' coins, have been a factor that has been given serious consideration especially in the jurisdictions that are, or are contemplating, issuing collectors' coins. Table 6 displays sales tax treatment of collectors' coins by the other forty-nine states, as well as the rates imposed. Five states do not impose a sales tax.¹⁴ The states that do range from a high of 7.5 per cent (Connecticut) to a low of 3 per cent (Colorado, Georgia, North Carolina, and Wyoming). Eleven states provide an exemption in one form or another to sales involving commemorative and bullion coins and medallions. Some of these exemptions are limited to bulk sales of such pieces with the dollar minimum, if specified, set at \$1,000. Other exemptions may apply the exemptions only to legal tender coins or to coins or medallions that are state-issued or use the state seal. In Idaho, although the general rule is exemption, coins or bullion used for jewelry or works of art are expressly covered by the tax.

Exemptions for bulk sales only, in reality, tax most numismatic purchases. There appears to be a tactical reason why such an exemption has been extended. High Sierra Numismatics, a Minden, Nevada, coin dealer, in its written testimony to the Committee on Taxation of the Nevada State Legislature on May 11, 1987, argued for complete exemption from the retail sales tax of transactions involving gold, silver, and other precious metals. It

Table 6

SALES TAXES ON COMMEMORATIVE AND BULLION COINS AND MEDALLIONS

STATE	SALES TAX RATE	COMMEMORATIVE & BULLION COINS & MEDALLIONS TAXED	EXEMPTION	STATE	SALES TAX RATE	COMMEMORATIVE & BULLION COINS & MEDALLIONS TAXED	EXEMPTION
Alabama	4%	Yes		Nebraska	3.5%	Yes	
Alaska	-0-	--		Nevada	5.75%	Yes	
Arizona	5%			New Hampshire	-0-		
Arkansas	4%	Yes		New Jersey	6%	Yes	
California	4.75%	Yes	Bulk sales of monetized bullion of \$1,000 or more	New Mexico	4.75%	Yes	
Colorado	3%	Yes		New York	4%	Yes	
Connecticut	7.5%	Yes	Bulk sales of \$1,000 or more of coins and bullion traded at bullion value	North Carolina	3%	Yes	
Delaware	-0-			North Dakota	5.5%	Yes	Legal tender coins and currency
Florida	5%	Yes	Legal tender coins	Ohio	5%	No	Bullion commemorative coins and medallions
Georgia	3%	Yes		Oklahoma	4%	Yes	
Idaho	5%	No	Does not apply to coins or bullion to be used for jewelry or works of art	Oregon	-0-		
Illinois	5%	No	U.S. government and Illinois state medallions and foreign coins	Pennsylvania	6%	Yes	
Indiana	5%	Yes		Rhode Island	6%	No	
Iowa	4%	Yes		South Carolina	5%	Yes	
Kansas	4%	Yes		South Dakota	5%	Yes	
Kentucky	5%	Yes		Tennessee	5.5%	Yes	
Louisiana	4%	Yes	Bulk sales of \$1,000 or more	Texas	5.25%	No	
Maine	5%	Yes		Utah	5-3/32%	No	
Maryland	5%	Yes		Vermont	4%	Yes	
Massachusetts	5%	Yes		Virginia	4.5%	Yes	
Michigan	4%	Yes		Washington	6.5%	Yes	
Minnesota	6%	Yes		West Virginia	5%	Yes	
Mississippi	6%	Yes		Wisconsin	5%	Yes	
Missouri	4.225%	Yes		Wyoming	3%	Yes	
Montana	-0-						

Source: Numismatic News, p. 8, March 24, 1987 and Legislative Reference Bureau questionnaire of June 26, 1987.

argued that the present tax treatment discriminated against Nevada dealers in favor of out-of-staters. The following comparison was given:

The Price of Investing in Nevada versus California:

Nevada Price of a \$5,000.00 gold investment	\$5,300.00
--	------------

California Price of the SAME investment	\$5,008.05
---	------------

The Rate of Return in Nevada versus California:

	<u>California</u>	<u>Nevada</u>
Purchased based on \$500/ounce gold	\$5,000.00	\$5,000.00
Sales Tax	0.00	\$ 300.00
Shipping	\$ 8.05	0.00
Total Purchase Price	\$5,008.05	\$5,300.00
Sale based on \$600/ounce gold	\$6,000.00	\$6,000.00
Net Gain to Investor on Sale	\$ 991.95	\$ 700.00
Rate of Return	19.8%	13.2%

Exemption of bulk sales of bullion collectors' pieces, therefore, appear to be an effort to capture transactions in state, which would otherwise go elsewhere through interstate transactions.¹⁵ The above testifier further complained about the discrimination accorded to commodity transactions, i.e., futures contracts in precious metals, which were not subject to the sales tax, and concluded by urging the Committee not to follow California's approach of exempting bullion sales of \$1,000 or more but instead provide a complete exemption to Nevada businesses.

The range of sales tax treatment of sales of precious and nonprecious coins and medallions, as has been discussed, can traverse a spectrum composed at one end of total exemption to the other extreme of complete taxation. In between are options of exempting certain transactions such as state-issued

products, bullion type products only, bullion in bulk, or legal tender pieces. What is the desirable stance for a particular jurisdiction depends on what the tax policy is and what policy lies behind the collectors' coin program.

Chapter 6

FINDINGS AND RECOMMENDATIONS

Introduction

Prior to setting forth the findings and recommendations in this chapter, the Bureau convened the parties specified in House Resolution No. 208 on October 27, 1987, at 9:30 a.m. in Senate Conference Room 5. For this purpose, a letter was sent to the nine individuals listed in Exhibit H in the Appendix; to the heads of the state departments of accounting and general services, budget and finance, business and economic development, and taxation; and to Representative Apo, the introducer of the resolution; inviting their attendance. Accompanying the letter was a questionnaire and relevant portions of the study deemed to provide background information, including for the nongovernment sector, excerpts from the Bureau's Guide to Government in Hawaii describing the four named departments and listing the others. Eleven persons, of which three represented state departments and another three represented the Hawaii State Numismatic Association, attended the meeting.

After each person present introduced him- or herself, the meeting proceeded with a discussion on the individual questionnaire items. Characterized as an informal meeting in which the author of the report was soliciting the input of the invitees, comments were welcomed on any aspect of the subject. Lively discussion occurred in several areas of concern. If any conclusion could be drawn from the meeting, it is that differences of opinion exist on a commemorative medallion program, even among persons who are more knowledgeable than most on the subject. No single approach, therefore, of producing any marketing commemorative medallions is without risk of failure. Chances for a successful program, however, can be enhanced through studied and informed decisions based upon a knowledge of the market desired to be tapped along with a measure of luck that the market will accept the product offered.

SPONSORSHIP OF STATE COMMEMORATIVE MEDALLIONS

A copy of the questionnaire, tabulated with the total results of the responses of those returning it, may be found in Exhibit I of the Appendix. It should be noted that the data do not represent a survey that is statistically supportable but merely reflects the views of those who took the time to participate in answering it.

Findings

The Bureau makes the following findings:

1. Since the 1980s, there has been a proliferation of nations and even states in the United States trying to woo the pocketbooks of collectors, investors, and speculators with newly minted bullion type coins and medallions.
2. Three states, California, South Dakota, and Texas, have initiated state bullion "coin" programs and a fourth, Nevada, is seriously considering entering into its production.
3. The record of royalty yields from California, the oldest current state bullion program extant, suggests that amounts to be collected from royalties is modest, at best. The programs in South Dakota and Texas are too new to ascertain whether the California experience is typical of the results to be expected from such a program or whether, given other factors, greater success in raising revenues can be achieved.
4. A state medallion program aimed at the bullion market is a very different program from, and is geared to a different consumer than, a medallion program aimed at the numismatic market. The former relies on a high volume, (relatively) low mark-up strategy while the latter does best with a low mintage, high premium approach. Whether the state should sponsor a bullion or a numismatic piece

FINDINGS AND RECOMMENDATIONS

was a hotly debated issue among two groups of participants at the October 27 meeting.

5. The numismatic market may be a more difficult market to penetrate because the success of a numismatic product depends not only on low mintage but must rely on a charismatic product, one that for some reason captures the fancy of the buyer. Although an attractive coin design and high quality also play a part, a bullion type product is involved with more controllable factors, the successful handling of which will result in a piece produced at the lowest cost and which would therefore be preferred by the purchaser.
6. It is possible, as has been demonstrated by the China Panda, to achieve the best of both worlds by producing a bullion piece that has characteristics of a numismatic product. This is what the State should strive for in initiating a medallion program for the maximization of revenues over the long term.
7. Revenue projections of a proposed program are in essence crystal ball guesses. Item 7 of the questionnaire contained in Exhibit I gives the tallied responses of the participants at the October 27 meeting which ranged from \$50,000 to under \$400,000. The only hard figures available are the reports from California which received a total of a little over \$79,000 for the approximately three-year period, August, 1984 to May, 1987.
8. Revenues from the State's general excise tax on medallion sales will exceed revenues from royalties under any reasonable scenario (see Table 7).
9. The type of medallion program the State ultimately engages in depends on the intent and purpose behind the program, i.e., is it to raise revenue, to promote the Islands or the visitor industry, to increase the prestige of the State, etc., and is ultimately a policy determination.

SPONSORSHIP OF STATE COMMEMORATIVE MEDALLIONS

It should be noted that a program which desires to be all things to all people runs the risk of not achieving its primary objective, whatever that may be.

Table 7

TOTAL ROYALTY AND GENERAL EXCISE TAX REVENUES FOR A HYPOTHETICAL GOLD MEDALLION PRODUCTION

Weight	If 10,000 ozs. in Gold Pieces are Minted in Sizes of 1 oz., 1/2 oz., 1/4 oz., 1/10 oz., & 1/20 oz. with Distribution as Follows	Total Pieces	If Royalty is \$4/oz., with Minimum of 50¢/Piece for 1/10 & 1/20 oz. Pieces, then Total Royalty Revenues Are	General Excise Tax Revenue on Pieces if Price of Gold is \$400/oz.
1 oz.	5,000 ozs.	5,000 pieces	\$20,000	\$ 80,000
1/2 oz.	2,500 "	5,000 "	10,000	40,000
1/4 oz.	1,250 "	5,000 "	5,000	20,000
1/10 oz.	625 "	6,250 "	3,125	10,000
1/20 oz.	625 "	12,500 "	6,250	10,000
TOTALS	10,000 ozs.	33,750 pieces	\$44,375	\$160,000

Revenues generated by the general excise tax are approximately four times that from royalty. This figure is on the conservative side for three reasons: (1) the per ounce price of gold is on the low side; (2) the fractional pieces will sell on a per ounce price higher than the pro rata per ounce price; and (3) where the pieces are sold as jewelry, the retail price of the product will be higher than that of the base gold piece.

If there is a total exemption from general excise taxes, then revenues from royalties to the State in the above example would amount to about \$45,000.

If there is no exemption from general excise taxes, then total revenues from royalties and taxes will be greater than \$200,000.

If bulk sales of \$1,000 or more are exempt from general excise taxes, then total revenues from royalties and taxes will be somewhat less than \$200,000, depending on the volume of bulk purchases.

10. In the final analysis, creation of a two-way market is beyond the State's control as it is not the intention that the State shall guarantee every piece minted, i.e., it is not the entity that will perform the buy-back function. Achieving buy-back status, however, is desirable and is something to strive for because such a status means that the quality and integrity of the state-sponsored piece is acceptable to and accepted by those who deal in it.
11. Another issue generating major differences of opinion at the October 27 meeting was whether the production of medallions should be open to all minters who meet given standards or whether production should be limited to one winning bidder who met bid

FINDINGS AND RECOMMENDATIONS

specifications. The Bureau finds the basic problem of opening up production to all comers is that it has the potential of creating quality control difficulties. Proponents for open competition argue that the market will ignore the poor quality producer and favor the best quality producer. This response does not address the problem created by the damage done to the program by a poor quality product, particularly a program that is just beginning. The cost to cure damages after the fact caused by a shoddy product would appear to exceed any advantage to be gained by having multiple minters.

A further objection of the multiple producer advocates is that awarding the minting contract to one producer is not fair and would amount to a monopoly. The objection does not appear to have merit for several reasons. First, while production may be awarded to one bidder, everyone has an equal opportunity to be selected by entering the competition. Second, California and South Dakota both have relied on one producer. Third, with only one party to deal with, responsibility, in the event something goes wrong, is more readily pinpointed.

12. Given the available data on royalty receipts, it does not appear that a commemorative medallion program, whether bullion or otherwise, will generate much revenue to the State. However, if revenue generated by a commemorative medallion program is defined to include general excise taxes, then income derived by the program will possess a leverage of 4 to 1 (see example in Table 7). Thus, a state-sponsored medallion program could be productive of new revenues of a respectable magnitude at a relatively low cost to the State, particularly if all the investment risks are transferred to a private minter.

Recommendations

The Bureau recommends that the Legislature consider the sponsorship of a commemorative medallion program. An annotated draft of proposed legislation is included as Exhibit J. Recommended legislation includes the following characteristics:

1. An advisory commission to guide the administrator of the program as to its design. A successful medallion program is a fragile thing and is dependent on the market at a given point of time. It is therefore difficult, if not impossible, to formulate a detailed approach some one year plus in advance of actual production. The approach taken is one giving broad discretion to the administrator to fashion program requirements as the direction of the market prevailing at the time of production, dictates.
2. The actual execution of the medallion program should be carried out by one successful bidder, with the credentials required to produce a quality product, capable of achieving buy-back status, that will be a credit to the State. Preference is given to one minter over many at this time because for a new program, this option involves the least amount of risk of getting an irresponsible producer and also requires less supervision on the part of the administering government agency.
3. While the issue of bullion or numismatic product is left open in the draft, a bullion product is preferred because it involves the least amount of risk in market acceptance in terms of factors within the producer's control. Of course, the ideal situation is to end up with a medallion that has both the attributes of a bullion and a numismatic piece.
4. Certain other features, such as banning the use of South African metals and how to handle a possible conflict of interest situation on

FINDINGS AND RECOMMENDATIONS

the part of a commission member, have been inserted in recognition of factors endemic to Hawaii government.

5. The sale of commemorative medallions should not be exempt from general excise taxes but an exemption for bulk bullion sales of amounts totalling \$5,000 or more should be provided. The lower figure of \$1,000 used by other states for bulk sales exemption is not advised since at the current price of gold, a purchaser of as little as two gold one-ounce pieces could qualify.

Footnotes

CHAPTER 1

1. H.B. Nos. 1890 and 1896 patterned after South Dakota and California legislation, respectively.

CHAPTER 2

1. Mussel shells of various colors ground to the size of a grain of corn through each of which holes were drilled such that individual pieces could be strung on a leather thong.
2. R.S. Yeoman, Guide Book of United States Coins (24th ed.; Racine, Wisconsin: Western Publishing Company, Inc., 1970), pp. 5, 14.
3. Ralph S. Kuykendall, The Hawaiian Kingdom (Honolulu: University of Hawaii Press, 1980), vol. 1, p. 13.
4. Ibid., pp. 16-17.
5. Ibid., p. 84.
6. Jonas Prager, Fundamentals of Money, Banking, and Financial Institutions (2d ed.; New York: Harper and Row, 1987), pp. 16-17.
7. Yeoman, p. 5.
8. The Spanish "dolar" was called pieces of eight because an individual coin was scored so that it could be broken into 8 pie-shaped pieces or "bits". Each bit had the value of 1/8 of a dollar or 12-1/2 cents. Two bits (literally a quarter of the piece), a term which survives today as a synonym for a 25-cent piece, equalled 25 cents.
9. Donald Medcalf and Ronald Russell, Hawaiian Money Standard Catalog (Honolulu: Nani Stamp and Coin, Ltd., 1978), p. 2.
10. The General Court of Massachusetts.
11. Yeoman, p. 5.
12. America's first gold rush occurred in 1828 in northern Georgia, with later finds in the Carolinas, California, Oregon, and Colorado. Numismatic News, May 19, 1987, p. 6.
13. Medcalf and Russell, p. 5. The laborer was also entitled to a ration of fish and poi.
14. Ibid., pp. 27-29.
15. Yeoman, p. 6.
16. Ibid., p. 7.
17. In the case of gold, standard grain means that the gold is 11/12 fine or 11 parts pure metal to one part alloy. Paul M. Green, "The U.S. Gold Bullion Heritage", Gold and Precious Metals Update '87, Spring, 1987, p. 57.
18. J. Walter Elliott, Money, Banking and Financial Markets (St. Paul: West Publishing Company, 1984), p. 9.
19. The use of "paper" money was pioneered by privately issued bank paper money which circulated in the area of the bank's location. These were IOUs by the bank promising to redeem them in gold or silver. Early government issued paper money were gold or silver certificates, i.e., IOUs that the government would redeem in gold or silver on demand. This promise was supported by legislation which limited the issuance of IOUs to the extent of the government's gold holdings, which was eventually designated to be located at Fort Knox. Elliott, p. 9. The Legal Tender Cases, 4 S. Ct. 122, 110 U.S. 421 (N.Y. 1884), established that Congress has the prerogative to declare paper money to be legal tender.
20. Elliott, pp. 9-10. Green, pp. 58-59. It was not until 1975 when it would be legal for U.S. citizens to own gold again.
21. Medcalf and Russell, pp. 9-14, 21-25.
22. "Gold and Silver Break-up", Gold and Precious Metals Update '87, Spring, 1987, p. 81.
23. Robert Erwin, "The South African Connection", Gold and Precious Metals Update '87, Spring, 1987, pp. 28-31.
24. "Gold and Silver Break-up", p. 74.
25. Daniel M. Rosenthal, Insider's Guide to Buying Silver and Gold (3d ed.; Bethel, Connecticut: Silver and Gold Report, 1982), pp. 4-6.

CHAPTER 3

1. Carl Allenbaugh, Coins Questions and Answers (2d ed.; Iola, Wisconsin: Krause Publications, 1976), p. 93.
2. Donald Medcalf and Ronald Russell, Hawaiian Money Standard Catalog (Honolulu: Nani Stamp and Coin Ltd., 1978), pp. 27-60.
3. Ibid., pp. 61-86.
4. Response to Legislative Reference Bureau questionnaire from Illinois, Maine, Nebraska and California.
5. Medcalf and Russell, pp. 89-95.
6. King David Kalakaua Medal.
7. The Royal Order of Kamehameha I, the Royal Order of Kalakaua I, the Royal Order of Kapiolani, and the Royal Order of the Crown of Hawaii.
8. Medcalf and Russell, p. 65.
9. Telephone conversation between Samuel B. K. Chang and Jaycee members Gordon Goo and Terrence Enriques on June 3, 1987, and June 5, 1987, respectively.

CHAPTER 4

1. Gold and Precious Metals Update '87, Spring 1987, p. 82.
2. Ibid., pp. 44-45.
3. "Gold finally becomes a respectable holding for investors in U.S.", The Wall Street Journal, May 5, 1987, pp. 1 and 31.
4. Gold and Precious Metals Update '87, p. 23.
5. The Wall Street Journal, p. 31.
6. Numismatic News, Special 35th Anniversary Issue, October 1987, p. 29.
7. "Customized Bullion", Gold and Precious Metals Update '87, Spring '87, pp. 72-73.
8. Ibid., p. 73.
9. Dated January 8, 1987.
10. Section 3 of the Agreement.
11. Section 4 of the Agreement.
12. Section 5 of the Agreement.
13. Section 8 of the Agreement.
14. Letter from Ann W. Richards, Treasurer, State of Texas, to Samuel B. K. Chang, dated June 25, 1987.
15. H. B. 2060, 1987, Texas Civil Statutes (see Exhibit F).

CHAPTER 5

1. "How to Order New Constitution Coins", Gold and Silver Update, Fall, 1987, p. 48.
2. South Dakota; Australia.
3. China Pandas; Singapore Dragon set.
4. 1987 China gold Pandas.
5. United States Statue of Liberty and Bicentennial of the Constitution coins.
6. Singapore Lunar series.
7. Australia, in launching its gold Nugget bullion issue, hired Don Mackay-Coghill to head its program. Mackay-Coghill was the chief executive of the marketing arm of South Africa's Chamber of Mines and is credited with the success of the marketing of the Kruggerrand.
8. Telephone conversation between Bernard von NotHaus and Samuel B. K. Chang on September 28, 1987.
9. For example, if the price of gold is high at the time a large quantity is purchased in anticipation of the mintage of a given issue, and if after the piece is minted, the price of gold drops precipitously, then the selling price of the piece, if a bullion piece, will be marketed at a disadvantageous price vis-a-vis other producers who bought at more favorable prices; or if the price is set competitively, then the piece will have to be sold at a loss. Of course, there are vehicles available to hedge this risk from extreme fluctuations.
10. The mintage for all 1987 gold Panda products will not exceed 250,000 ounces of gold. Gold and Silver Update, Fall, 1987, advertisement on page 31.
11. Gold and Silver Update, Fall, 1987, "First-time Bullion Buyers' Guide", p. 61.
12. Interview by Samuel B. K. Chang with Cleota Brown on July 22, 1987.
13. Numismatic News, issue of April 28, 1987, pp. 1, 29, and 30.
14. Alaska, Delaware, Montana, New Hampshire and Oregon.
15. Such transactions would technically still be subject to a use tax. The difficulties of administrative enforcement of the interstate mail transactions, however, make collecting the use tax applicable virtually impossible.

A P P E N D I X

(Exhibits A - J)

HOUSE RESOLUTION

REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO CONDUCT A
FEASIBILITY STUDY ON STATE AUTHORIZATION FOR THE MINTING
OF PURE GOLD AND SILVER STATE COMMEMORATIVE MEDALLIONS.

WHEREAS, the State is presently enjoying a healthy general
revenue fund surplus; and

WHEREAS, this surplus was created in large through the
conservative fiscal policy of the previous administration,
recent enactment of a hotel room tax, and a \$100 million liquor
tax settlement in favor of the State; and

WHEREAS, this one-time windfall is expected to be
eventually depleted through such factors as partial earmarking
of the hotel room tax, rebates and credits to taxpayers through
pending tax legislation, increasing and inflationary government
costs that include collective bargaining agreement hikes, and
uncertain trends in the economy;

WHEREAS, as it is reasonable to assume that the State will
again be confronted with a conservative revenue outlook, there
is a timely need to undertake new and creative approaches to
generating revenues within the State's overall economic policy
scheme; and

WHEREAS, legislation was introduced during the Regular
Session of 1987 for the authorization of minting of official
State of Hawaii gold and silver commemorative medallions as a
viable means of generating revenues at no cost to the State; and

WHEREAS, such legislation specified that the State would
receive a royalty for the minting and sale of each official
state pure gold and silver coin; and

H. R. NO.

WHEREAS, these coins would not be legal tender but would carry tremendous investment and marketing value; and

WHEREAS, the State could therefore profit further from various businesses using these official Hawaii bullions; and

WHEREAS, official state medallions in gold and silver of varying sizes and weights, with a design reflecting the native ethnicity of the islands, would also underscore Hawaii's historical sovereign past and the cultural pride of its residents; and

WHEREAS, there are local coin mints, dealers and jewelers who have already successfully manufactured, marketed and sold commercial commemorative gold and silver coins; and

WHEREAS, it would not be the intent of the State to compete at an unfair advantage with these private businesses but to work cooperatively with appropriate sectors in a venture to increase state revenues without the State's direct participation, fully utilizing official State of Hawaii coins as invaluable tools in promotional and marketing programs for the benefit of local investors, businesses, residents and government alike; and

WHEREAS, this proposal is highly compatible with Hawaii's major industry of tourism and its related support industries and has great potential to strengthen the local investment market and lessen its dependence upon the global market and other external influences; and

WHEREAS, ever since the federal ban on the South African krugerrand, the investment climate has been ripe for considering and initiating such a proposal; and

WHEREAS, other states such as California and Texas have enacted similar legislation for the minting of pure gold and silver commemorative coins with much initial success; and

WHEREAS, such legislation in Hawaii was deferred this session for the purpose of affording more time to study this innovative proposal and to develop a more comprehensive program of implementation; and

WHEREAS, the legislative interim would also provide an opportunity to examine in depth the merits of providing a four percent general excise tax exemption on gross receipts from the sale of state medallions in order to allow local gold and silver dealers to compete on an equitable basis with out-of-state dealers, to the advantage of local and out-of-state buyers; and

WHEREAS, more time is further needed to establish procedures in the authorization, minting, distribution and marketing of state medallions through the development of plans toward this end; now, therefore,

BE IT RESOLVED by the House of Representatives of the Fourteenth Legislature of the State of Hawaii, Regular Session of 1987, that the Legislative Reference Bureau is requested to conduct a feasibility study on State authorization for the minting of pure gold and silver state commemorative medallions; and

BE IT FURTHER RESOLVED that this study involve an evaluation and analysis of the experiences and success rates of other states that have enacted legislation in this area and the development of proposed legislation based on such findings for a model program to be implemented by the State of Hawaii; and

BE IT FURTHER RESOLVED that the Bureau submit a report of its findings and recommendations to the Legislature twenty days prior to the convening of the Regular Session of 1988; and

BE IT FURTHER RESOLVED that this report include, among other things:

- (1) Recommendations for the appropriate administering state agency or agencies and the procedures regarding authorization of minting contracts, including bonding requirements for participating mints within the State of Hawaii, and the overseeing of the entire process of distribution;
- (2) Recommendations with respect to general excise tax exemption provisions for the gross receipts from medallion sales within and outside the State, and the creation of a two-way market, as based on:

H. R. NO.

- (a) Estimated revenue projections under a general excise tax exemption for only sales over \$1000 occurring within and outside the State of Hawaii;
 - (b) Estimated revenue projections under a general excise tax exemption for all sales occurring within and outside the State of Hawaii regardless of total value; and
 - (c) Estimated revenue projections if there were no exemption provided for any sales occurring within or outside the State of Hawaii;
- (3) Estimated revenue projections under various royalty arrangements and recommendations as to the best possible arrangement for the State;
 - (4) Recommendations on the feasible development of long-range local and global marketing plans, possibly in conjunction with the promotion of tourism, including whether the striking and primary distribution of medallions should be done exclusively within the State of Hawaii;
 - (5) Recommendations on the sizes and weights to be used for the minting of commemorative coins; and
 - (6) Recommendations regarding:
 - (a) The feasibility of a public contest or survey on the design to be used for state commemorative coins, as based on selected entries from the general public or local college students, or both, subject to final selection by a committee that includes professional coin manufacturers;
 - (b) The limitations of a public contest and its possible delaying impact on overall implementation versus the value of such extensive public relations;
 - (c) Other variations or alternatives on a public contest theme;

and

H.R. NO.

BE IT FURTHER RESOLVED that adoption of this Resolution is not to be interpreted as legislative endorsement for the State to manufacture, distribute and market pure gold and silver coins in direct competition with similar undertakings by the private sector, and that the recommendations contained in the Bureau's report to the Legislature accordingly reflect this position; and

BE IT FURTHER RESOLVED that the Department of Accounting and General Services, the Department of Planning and Economic Development, and the Department of Taxation are requested to cooperate fully with the Bureau in the undertaking of this feasibility study, further serving as resources of information; and

BE IT FURTHER RESOLVED that the Bureau convene a meeting prior to the actual undertaking of the report with the following parties for the purpose of discussion and information-gathering: Deak Hawaii Inc., Goldfinger Hawaii Inc., The Hawaii Pacific Mint Ltd., Royal Hawaiian Mint, Montgomery Manufacturing Division of Duty Free Shoppers Limited, potential buyers, the Hawaii Visitors Bureau, the Chamber of Commerce of Hawaii, the Hawaii Jewelers Association, and Hawaii numismatists including the local chapter of the American Numismatists Association; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Director of the Legislative Reference Bureau, the Comptroller of Accounting and General Services, the Director of Planning and Economic Development, and the Director of Taxation; and

BE IT FURTHER RESOLVED that certified copies also be transmitted to the Hawaii Visitors Bureau, the Chamber of Commerce of Hawaii, the Hawaii Jewelers Association, and the Hawaii chapter of the American Numismatists Association.

Samuel B. K. Chang
Director

Exhibit B



LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
Honolulu, Hawaii 96813
Phone (808) 548-6237

June 26, 1987

3708-A

Mr. Ralph E. Thomas, Director
Legislative Service Office
State Capitol, Rm. 213
Cheyenne, WY 82002

Dear Mr. Thomas:

The Legislative Reference Bureau has been requested by the Hawaii House of Representatives through House Resolution No. 208, H.D. 1, copy attached, to study and report on the feasibility of "State Authorization for the Minting of Pure Gold and Silver State Commemorative Medallions". After preliminary research, we have developed a questionnaire to elicit relevant information on the subject. We have filled in such information as we have found and ask you to verify or correct the same. Where we have no information available, we request that you provide us with the pertinent data if you are able to do so, or to forward the questionnaire on to someone who can. In addition, if there are printed brochures or other information on your program that may be available, we would certainly appreciate them.

For purposes of the questionnaire, "bullion type" coins or medallions are pieces minted from precious or other metals in the form of bars, ingots, or plates which generally sell for a slight markup over the value of the metal. "Commemoratives" are pieces issued to mark, honor, or observe an event, person, or preserve its memory, are generally issued in more limited quantities than bullion pieces, may be numbered, and generally sell for a premium above the value of the metal.

We have enclosed a stamped addressed envelope for your response and thank you in advance for your cooperation and help.

Sincerely,

A handwritten signature in cursive script that reads "Samuel B. K. Chang".
Samuel B. K. Chang
Director

SBKC:jv
Enc.

State _____

1. Does your state now have or has it ever authorized the minting of gold, silver, or other type bullion or commemorative coin or medallion?

Yes _____ No _____ Year first authorized _____

If answer to item 1 is no, skip items 2-4 and go to 5.

2. Please check all applicable:

Weight (in oz.)	BULLION TYPE				COMMEMORATIVE TYPE			
	Gold	Silver	Bronze	Other (Specify Metal)	Gold	Silver	Bronze	Other (Specify Metal)
5	_____	_____	_____	_____	_____	_____	_____	_____
1	_____	_____	_____	_____	_____	_____	_____	_____
1/2	_____	_____	_____	_____	_____	_____	_____	_____
1/4	_____	_____	_____	_____	_____	_____	_____	_____
1/10	_____	_____	_____	_____	_____	_____	_____	_____
Other (Specify weight)	_____	_____	_____	_____	_____	_____	_____	_____

3. What are the selling prices and royalties per piece?

	BULLION TYPE		COMMEMORATIVE TYPE	
	Selling Price	Royalty	Selling Price	Royalty
Gold	_____	_____	_____	_____
Silver	_____	_____	_____	_____
Bronze	_____	_____	_____	_____
Other (Specify metal)	_____	_____	_____	_____

4. What state agency is responsible for administering program?

5. Are sales taxes applicable to sales of any bullion and commemorative type pieces?

Rate: _____%

Bullion: Yes _____ Commemorative: Yes _____

Exempt _____

Exhibit C

CHAPTER 25. COMMEMORATIVE "CALIFORNIA GOLD" MEDALLIONS

(Chapter 25 added by Stats. 1982, Ch. 826)

7551. The Department of General Services shall cause to be designed a series of commemorative gold medallions in not less than 1 troy ounce, .5 troy ounce, and .25 troy ounce sizes of .999 fine gold.

(Amended by Stats. 1983, Ch. 583.)

7552. Each medallion shall bear:

(a) On one side, the Great Seal of the State of California.

(b) On the reverse side; (1) across the top, the term "California Gold;" (2) in the center, the State Bear (side view); (3) on the lower middle right side, the date; (4) on the lower middle left side, the mint mark of the certified registered mint with which the Department of General Services has contracted; (5) on the bottom left side, the size of the medallion; (6) along the bottom right side, the term ".999 fine;" and (7) along the entire outer edge, thirty-one (31) small stars.

The medallion shall have reeded or serrated edges with not less than 10 per quarter inch.

The medallions shall not be in similitude in design or size, to include diameter and thickness, to any United States or foreign coin.

(Added by Stats. 1982, Ch. 826.)

7553. Upon the showing of sufficient interest by gold producers, the department shall contract with a registered, certified mint for the minting of gold medallions in an amount and in such sizes as deemed appropriate. Gold producers shall provide all gold bullion necessary for minting and shall deliver it to the mint for processing. They shall pay in advance to the department a fee sufficient to cover all minting and handling costs; royalty fees for the use of the seal; and reimbursement costs to the department for designing the medallions.

(Amended by Stats. 1983, Ch. 583.)

7554. The Department of General Services shall, for the use of the Great Seal of the State of California, charge the following royalties:

(a) For each medallion in the 1 troy ounce size, four dollars (\$4).

(b) For each medallion in the .5 troy ounce size, two dollars (\$2).

(c) For each medallion in the .25 troy ounce size, one dollar (\$1).

(Added by Stats. 1982, Ch. 826.)

7555. After minting, the medallions shall be returned to the producers who, notwithstanding Section 402, shall have sole responsibility for distribution, marketing, and sales.

(Added by Stats. 1982, Ch. 826.)

7556. Only registered, certified mints which have contracted with the department may produce the medallions, as ordered pursuant to the provisions of this chapter. Any other production of the medallions is unlawful and punishable as a misdemeanor.

(Added by Stats. 1982, Ch. 826.)

**SALES AND USE TAXES—EXEMPTIONS—
COMMEMORATIVE "CALIFORNIA
GOLD" MEDALLIONS**

Assembly Bill No. 396

CHAPTER 1062

An act to add and repeal Section 6354 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor September 27, 1968. Filed with
Secretary of State September 27, 1968.]

LEGISLATIVE COUNSEL'S DIGEST

AB 396, Kelley. Sales and use taxes: gold medallions.

Existing California Sales and Use Tax Law imposes a state sales or use tax on the sale or use of tangible personal property in the state, unless that sale or use is exempted from that tax.

Moreover, counties, cities, and certain transit districts are authorized to impose local sales and use taxes in conformity with the state's taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities, but not the transit districts, for revenue losses caused by the enactment of sales and use tax exemptions.

The existing Sales and Use Tax Law exempts from the sales and use taxes the gross receipts from the sales in bulk of certain monetized bullion, as defined.

This bill would also exempt from the sales and use taxes the gross receipts from the sales of commemorative "California Gold" medallions produced and sold in accordance with specified statutes. This exemption would remain in effect only until January 1, 1968.

This bill would also provide that no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

The people of the State of California do enact as follows:

SECTION 1. Section 6354 is added to the Revenue and Taxation Code, to read:

6354. There are exempted from the taxes imposed by this part, the gross receipts from the sales of commemorative "California Gold" medallions produced and sold in accordance with Chapter 25 (commencing with Section 7351) of Division 7 of Title 1 of the Government Code, and the storage, use, or other consumption in this state of commemorative "California Gold" medallions so produced and sold.

This section shall remain in effect only until January 1, 1968, and as of that date is repealed unless a later enacted statute, which is enacted before that date deletes or extends the date.

SEC. 2. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any sales and use tax revenues lost by it under this act.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

Exhibit D

AN ACT

ENTITLED, An Act to provide for the minting and sale of commemorative South Dakota coins, to make an appropriation therefor and to declare an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. The bureau of administration, in consultation with the state centennial commission created by executive order 85-07, may contract or otherwise arrange for the minting of South Dakota commemorative coins in amounts and sizes it considers appropriate. Commemorative coins shall be minted in South Dakota of South Dakota produced gold or silver bullion or other nonprecious metals. The bureau may also arrange for the production and marketing of centennial jewelry made of precious metals.

Section 2. The bureau of administration may authorize the use of the great seal of the state of South Dakota on commemorative coins and shall charge royalty fees for use of the name and seal of the state.

Section 3. Except for coins sold directly by the state of South Dakota, the contracted mint shall have sole responsibility for distribution, marketing and sales.

Section 4. Coins of gold and silver shall be made exclusively from South Dakota produced .999 fine gold or silver.

Section 5. Only mints which have contracted with the bureau of administration may produce the coins. Any other production of such coins is a Class 2 misdemeanor.

Section 6. The bureau of administration may conduct a contest for the design of one side of the state centennial coin and may award one thousand dollars to the selected artist for his design. The bureau may conduct annual contests for artwork for the state coin and may award

an annual prize of one thousand dollars for the selected artwork to be paid from dedicated royalty proceeds deposited in the commemorative coin fund. For any design selected, the state of South Dakota shall retain exclusive rights. Only designs by South Dakota artists are eligible for consideration.

Section 7. Proceeds from the minting and selling of commemorative coins shall be placed in the commemorative coin fund which is hereby created and dedicated to the state centennial heritage center.

Section 8. There is hereby appropriated out of any money in the general fund, not otherwise appropriated, the sum of one thousand dollars (\$1,000), or so much thereof as may be necessary, to the bureau of administration to be expended for the initial cash prize for the commemorative coin.

Section 9. The bureau of administration may accept and expend for the purpose of this Act, in addition to the amount in section 8 of this Act, any funds obtained from federal sources, gifts, contributions or any other source if such acceptance and expenditure is approved in accordance with § 4-8B-10.

Section 10. Expenditures authorized by this Act shall be paid on warrants drawn by the state auditor on vouchers approved by the commissioner of the bureau of administration.

Section 11. Whereas, this Act is necessary for the support of the state government and its existing public institutions, an emergency is hereby declared to exist, and this Act shall be in full force and effect from and after its passage and approval.

An Act to provide for the minting and sale of commemorative South Dakota coins, to make an appropriation therefor and to declare an emergency.

I certify that the attached Act originated in the
SENATE
as SENATE
Bill No. 191

Joyce Hageltine
Secretary of the Senate.

Lawrence Hansen
President of the Senate.

Attest:

Joyce Hageltine
Secretary of the Senate.

David D. Huns
Speaker of the House.

Attest:

Paul Simon
Chief Clerk.

Senate Bill No. 191
File No. 177
Chapter No. _____

Received at this Executive Office this 24 day
of February, 1986
at 9:40 M.

By Loralee Yocum
for the Governor.

The attached Act is hereby approved this 15
day of March,
A.D., 1986

William J. Miller
Governor.

STATE OF SOUTH DAKOTA, ss.
Office of the
Secretary of State

Filed March 17,
1986 at 8:30
o'clock A. M.

Glenn J. Funder
Secretary of State.

By _____
Asst. Sec'y of State.

State of South Dakota

SIXTY-FIRST SESSION
LEGISLATIVE ASSEMBLY, 1986

SENATE	S.J. Page	Aye	Nay
Assigned to Committee on:			
Senate			
Committee Report:			
Do Pass Amend Table			
Legislative Action on Amendments:			
Adopted Not Adopted			
Second Reading and Final Passage:			
Pass Fail			
HOUSE	H.J. Page	Aye	Nay
Assigned to Committee on:			
House			
Committee Report:			
Do Pass Amend Table			
Legislative Action on Amendments:			
Adopted Not Adopted			
Second Reading and Final Passage:			
Pass Fail			

400K573

SENATE BILL NO. 191

Introduced by: Senators J.B. Dunn, Burg, Harding, McClure, McKellips and Shanard and Representatives Don Ham, Debra Anderson, Frerichs, Heidepriem, Herseth, Hood, Knute Knudson, Krautschun, Lammers, Miller and Volesky

1 FOR AN ACT ENTITLED, An Act to provide for the minting and sale of
2 commemorative South Dakota coins, to make an appropriation there-
3 for and to declare an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 Section 1. The bureau of administration, in consultation with the
6 state centennial commission created by executive order 85-07, may con-
7 tract or otherwise arrange for the minting of South Dakota commemora-
8 tive coins in amounts and sizes it considers appropriate. Commemora-
9 tive coins shall be minted in South Dakota of South Dakota produced
10 gold or silver bullion or other nonprecious metals. The bureau may al-
11 so arrange for the production and marketing of centennial jewelry made
12 of precious metals.

13 Section 2. The bureau of administration may authorize the use of
14 the great seal of the state of South Dakota on commemorative coins and
15 shall charge royalty fees for use of the name and seal of the state.

16 Section 3. Except for coins sold directly by the state of South
17 Dakota, the contracted mint shall have sole responsibility for distri-

Insertions into existing statutes are indicated by underscores.
Deletions from existing statutes are indicated by ~~overstrikes~~.

1 bution, marketing and sales.

2 Section 4. Coins of gold and silver shall be made exclusively from
3 South Dakota produced .999 fine gold or silver.

4 Section 5. Only mints which have contracted with the bureau of ad-
5 ministration may produce the coins. Any other production of such coins
6 is a Class 2 misdemeanor.

7 Section 6. The bureau of administration may conduct a contest for
8 the design of one side of the state centennial coin and may award one
9 thousand dollars to the selected artist for his design. The bureau may
10 conduct annual contests for artwork for the state coin and may award
11 an annual prize of one thousand dollars for the selected artwork to be
12 paid from dedicated royalty proceeds deposited in the commemorative
13 coin fund. For any design selected, the state of South Dakota shall
14 retain exclusive rights. Only designs by South Dakota artists are eli-
15 gible for consideration.

16 Section 7. Proceeds from the minting and selling of commemorative
17 coins shall be placed in the commemorative coin fund which is hereby
18 created and dedicated to the state centennial heritage center.

19 Section 8. There is hereby appropriated out of any money in the
20 general fund, not otherwise appropriated, the sum of one thousand dol-
21 lars (\$1,000), or so much thereof as may be necessary, to the bureau
22 of administration to be expended for the initial cash prize for the
23 commemorative coin.

24 Section 9. The bureau of administration may accept and expend for
25 the purpose of this Act, in addition to the amount in section 8 of
26 this Act, any funds obtained from federal sources, gifts, contribu-
27 tions or any other source if such acceptance and expenditure is ap-
28 proved in accordance with § 4-8B-10.

1 precious metals and centennial plates.

2 Section 5. That § 1-6-18 be amended to read as follows:

3 1-6-18. The bureau of administration may authorize the use of the
4 great seal of the state of South Dakota, the commemorative medallion
5 design or the bullion coin design on commemorative medallions and
6 coins and shall charge royalty fees for use of the name--and--seal--of
7 the-state same.

8 Section 6. That § 1-6-19 be amended to read as follows:

9 1-6-19. Except for coins sold directly by the state of South Dako-
10 ta, the contracted official state mint shall have sole responsibility
11 for distribution, marketing and sales.

12 Section 7. That § 1-6-23 be amended to read as follows:

13 1-6-23. Proceeds from the minting and selling of commemorative
14 coins medallions shall be placed in the commemorative coin fund which
15 is hereby created and dedicated to the state centennial heritage cen-
16 ter.

17 Section 8. Whereas, this Act is necessary for the support of the
18 state government and its existing public institutions, an emergency is
19 hereby declared to exist, and this Act shall be in full force and ef-
20 fect from and after its passage and approval.

Exhibit E

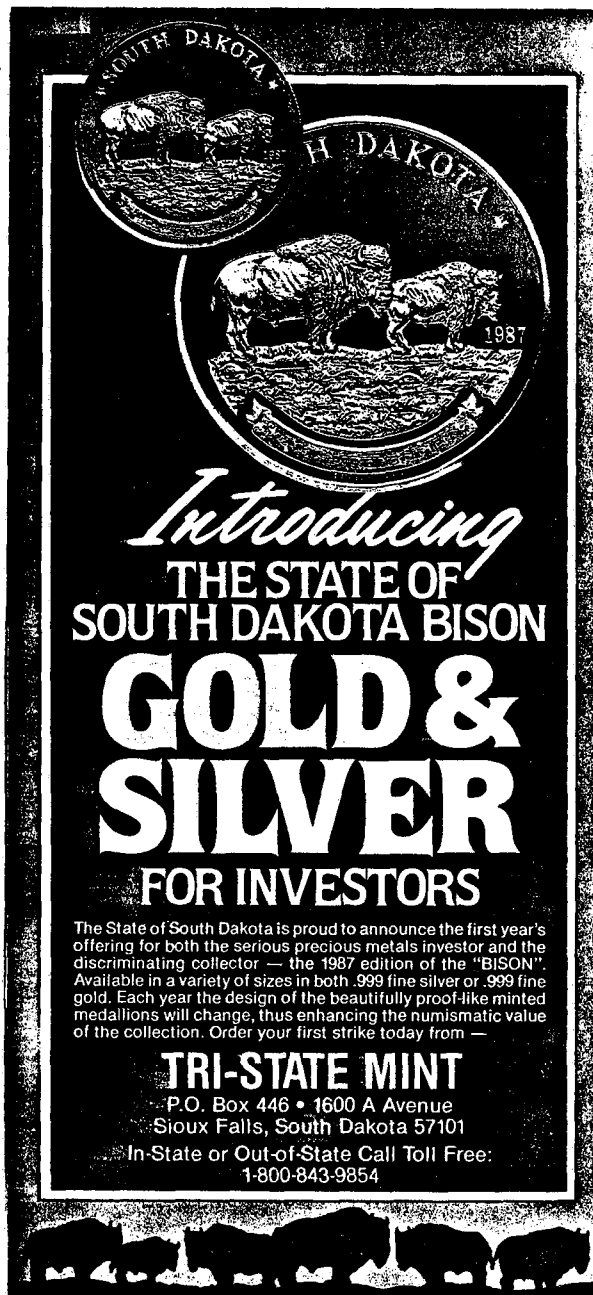
EXHIBIT B

Royalty Reporting Form

<u>Product</u>	<u>Style</u>	<u>Number Sold</u>	<u>Wholesale Sales</u>	<u>W.S.* Royalty</u>	<u>Retail Sales</u>	<u>R.S.* Royalty</u>
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----
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-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----

Total for _____ (Month) _____

- * W.S. = Wholesale Sales
- * R.S. = Retail Sales



Introducing
THE STATE OF
SOUTH DAKOTA BISON
GOLD & SILVER
FOR INVESTORS

The State of South Dakota is proud to announce the first year's offering for both the serious precious metals investor and the discriminating collector — the 1987 edition of the "BISON". Available in a variety of sizes in both .999 fine silver or .999 fine gold. Each year the design of the beautifully proof-like minted medallions will change, thus enhancing the numismatic value of the collection. Order your first strike today from —

TRI-STATE MINT
 P.O. Box 446 • 1600 A Avenue
 Sioux Falls, South Dakota 57101
 In-State or Out-of-State Call Toll Free:
 1-800-843-9854

*South
Dakota*

1889-1989



CENTENNIAL COIN ORDER

Ship To: _____

Address: _____

City: _____

State: _____ Zip Code: _____

Telephone Number: _____

Payment: ☐ Cash ☐ Check ☐ Money Order
 Enclosed No C.O.D. or CREDIT CARDS

Mail Order and Full Payment To:
TRI-STATE MINT
 P.O. Box 446 - 1600 A. Avenue
 Sioux Falls, S.D. 57104

Please Ship the following South Dakota Centennial Coin Order as follows:

Quantity	Type	Type	Cost Each	Total Cost
_____	5 oz. Proof Set		\$3500.00	\$ _____
_____	1 oz. Proof Set		755.00	_____
_____	1 oz. Gold Coin		695.00	_____
_____	1 oz. Silver Coin		24.95	_____
_____	24K Gold Plated Bronze Coin		9.95	_____
_____	Sterling Silver Pendant		25.00	_____
_____	10K Gold Pendant		140.00	_____
_____	Sterling Silver Pin		19.95	_____
_____	10K Gold Pin		99.95	_____

Jewelry items available in Centennial Design (CD) or State Seal of South Dakota (SS). Please specify CD or SS in "Type".
 Add \$5.00 for Shipping and Handling. Residents add 4% sales tax.

Shipping & Handling \$ 5.00 5.00
 4% Sales Tax _____
AMOUNT ENCLOSED \$ _____

Gold and South Dakota... partners in a rich history

On July 2, 1874, General George Armstrong Custer left Fort Abraham Lincoln, Dakota Territory (now Mandan, North Dakota), to explore the territory unknown Paha Sapa (Black Hills) region of the Great Sioux Reservation.

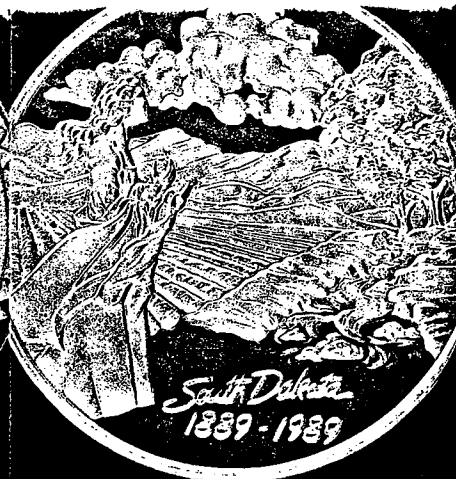
Custer's 1,000-man reconnaissance contingent was the largest ever assembled in peacetime. On July 30, 1874, the expedition reached the Black Hills near Belle Fourche and traveled south-south westerly entering Paha Sapa from the west. General Custer established his base camp seven miles south of Harney Peak and immediately sent out exploration parties to determine the region's value for farming, timber and mineral wealth. On July 30, 1874, Horatio N. Ross and Willie McKay, members of the expedition, discovered gold in the sands of French Creek near the present city of Custer.

Despite army attempts to stop fortune hunters, the gold rush was on and thousands of people flocked to the Black Hills. In March, 1876, silver was discovered in Bear Butte Creek near Deadwood. After the Sioux War of 1876, the United States Government reached a negotiated agreement with the Sioux Nation in October, 1878, which released the Black Hills to U.S. control.

By the end of 1876, over 20,000 people lived in the Black Hills, and over 100 mining towns, including Rapid City, boomed with activity.

"Gold Fever" changed to general settlement between 1879 and 1887, while communities east of the Missouri River and those in the Black Hills campaigned for statehood in Congress. The general election of 1885 showed overwhelming support for statehood and Huron was chosen as the State Capital for the State of "Dakota".

Congress failed to ratify the election, and statehood became a presidential campaign issue in 1888. On February 22, 1889, Congress created "South Dakota" along with North Dakota, Montana and Washington. The South Dakota Constitution was approved by the electorate in October, 1889, and Arthur C. Mellette, of Watertown, was elected first Governor of South Dakota. On November 2, 1889, President Harrison signed the bill which officially made South Dakota the 40th State in the Union.



An invitation to purchase
South Dakota's
Centennial
Medallions

TRI-STATE MINT

Established in 1973
1600 A Avenue • Sioux Falls, SD 57104
In state or out-of-state call toll free
1-800-843-9854

"As Governor, I wholeheartedly endorse the South Dakota Centennial Medallion and Bullion Coin Programs."

George S. Mickelson
Governor



Mined, Designed and Minted in South Dakota

To celebrate the 100th anniversary of the 40th state, it is with great pride that the State of South Dakota has approved the production of these South Dakota Centennial Medallions.

These centennial medallions are minted at the official state mint, Tri-State Refining, in Sioux Falls. The precious metals contained in each medallion are mined in the Black Hills of South Dakota.

Each hand-crafted medallion is manufactured from the highest possible quality of fine South Dakota gold or silver. Antiqued bronze pieces, also available, are given the greatest attention to detail.

This unique portrayal of a woman and child designed by Blackhawk, South Dakota, artist Joan Martin represents the heritage and people of South Dakota... past, present and future.

Because of their classic design and high quality, South Dakota Centennial Medallions will be a cherished memory of the state centennial and a collectable keepsake of the history of the American West.

A wide variety of medallion sizes and sets (some limited editions) are available. Refer to the order blank for information on how to order your medallion today.

How to order your South Dakota Centennial Medallion items:

Please make your selection from the products listed below. Include your name and address. Mail along with your check or money order to the address on the back.

Name _____
Address _____
City _____
State _____ Zip _____

Phone () _____

Indicate your selection from this list.

Centennial Set. Limited edition of 1,000 proof sets.

1-5 oz. .999 Gold
1-5 oz. .999 Silver
1-5 oz. Antique Bronze

\$3,500.00 per set

South Dakota Set. Limited edition of 3,000 proof sets.

1-1 oz. .999 Gold
1-1 oz. .999 Silver
1-1 oz. Antique Bronze

\$755.00 per set

Individual medallions

1 oz. .999 Silver 24.95
1 oz. .999 Gold 695.00
1 oz. Gold Plated Bronze 9.95

Pendants (Centennial Design)

Sterling Silver (with chain) 25.00
10k Gold (without chain) 140.00

Pendants (South Dakota Seal)

Sterling Silver (with chain) 25.00
10k Gold (without chain) 140.00

Pins (Centennial Design)

Sterling Silver 19.95
10k Gold 99.95

Pins (South Dakota Seal)

Sterling Silver 19.95
10k Gold 99.95

Handling Charge \$5.00

Grand Total

(South Dakota residents add 5% sales tax.)
Prices subject to change without notice.

Exhibit F

TEXAS LEGISLATIVE SERVICE

HB 2060
AS FINALLY PASSED AND
SENT TO THE GOVERNOR

1 18--235

AN ACT

FILE COPY

2 relating to an official state coin.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

4 SECTION 1. Article 11, State Purchasing and General Services
5 Act (Article 601b, Vernon's Texas Civil Statutes), is amended by
6 adding Section 11.05 to read as follows:

7 Sec. 11.05. OFFICIAL STATE COIN. (a) The commission shall
8 contract for the designs, production, marketing, and distribution
9 of the official state coins bearing the Great Seal of Texas. The
10 coins shall be minted of pure gold or silver and may be minted in
11 one ounce, one-half ounce, one-quarter ounce, and one-tenth ounce
12 weights. The contract must be exclusive, be for a term of six
13 years, and provide for a royalty to be paid to the commission in an
14 amount not lower than two percent of the sales price of the coins.
15 The commission shall award the contract based on bid and viability
16 of performance. The successful bidder must agree to mint the coins
17 in Texas by December 31, 1987. The commission shall deposit the
18 money received from the royalty in the state treasury to the credit
19 of the general revenue fund.

20 (b) Notwithstanding any other provision of law, a person may
21 not produce or sell or otherwise distribute a coin bearing the
22 Great Seal of Texas except under a contract with the commission
23 under this section.

24 SECTION 2. Subchapter H, Chapter 151, Tax Code, is amended

1 by adding Section 151.340 to read as follows:

2 Sec. 151.340. OFFICIAL STATE COIN. Official state coins
3 produced under Section 11.05, State Purchasing and General Services
4 Act (Article 601b, Vernon's Texas Civil Statutes), are exempted
5 from the taxes imposed by this chapter.

6 SECTION 3. The importance of this legislation and the
7 crowded condition of the calendars in both houses create an
8 emergency and an imperative public necessity that the
9 constitutional rule requiring bills to be read on three several
10 days in each house be suspended, and this rule is hereby suspended,
11 and that this Act take effect and be in force from and after its
12 passage, and it is so enacted.

President of the Senate

Speaker of the House

I certify that H.B. No. 2060 was passed by the House on May 15, 1987, by a non-record vote.

Chief Clerk of the House

I certify that H.B. No. 2060 was passed by the Senate on May 28, 1987, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor

(REPRINTED WITH ADOPTED AMENDMENTS)
SECOND REPRINT S.B. 179

SENATE BILL NO. 179--COMMITTEE ON NATURAL RESOURCES

MARCH 5, 1987

Referred to Committee on Natural Resources

SUMMARY--Authorizes minting of certain medallions and bars and limits permissible use of state seal. (BDR 19-57)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

EXPLANATION--Matter in italics is new; matter in brackets [] is material to be omitted.

AN ACT relating to governmental affairs; authorizing the minting of certain medallions and bars; limiting the use of the state seal; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 Section 1. Chapter 235 of NRS is hereby amended by adding thereto the
- 2 provisions set forth as sections 2 to 5, inclusive, of this act.
- 3 Sec. 2. *As used in sections 3 to 6, inclusive, of this act, unless the*
- 4 *context otherwise requires, "director" means the director of the department*
- 5 *of general services.*
- 6 Sec. 3. 1. *The director, after consulting with the executive director of*
- 7 *the commission on tourism, the administrator of the department of museums*
- 8 *and history and the executive director of the department of minerals, may*
- 9 *contract with a mint to produce medallions made of gold, silver, platinum or*
- 10 *nonprecious metals and bars made of gold, silver or platinum.*
- 11 2. *The decision of the director to award a contract to a particular mint*
- 12 *must be based on the ability of the mint to:*
- 13 (a) *Provide a product of the highest quality;*
- 14 (b) *Advertise and market the product properly, including the promotion of*
- 15 *museums and tourism in this state; and*

- 2 -

- 1 (c) *Comply with the requirements of the contract.*
- 2 3. *The director shall award the contract to the lowest responsible bidder,*
- 3 *except that if in his judgment no satisfactory bid has been received, he may*
- 4 *reject all bids.*
- 5 4. *All bids for the contract must be solicited in the manner prescribed in*
- 6 *NRS 333.310 and comply with the provisions of NRS 333.330.*
- 7 Sec. 4. 1. *The ore used to produce such a medallion or bar must be*
- 8 *mined in Nevada, if the ore is available. If it is not available, ore newly*
- 9 *mined in the United States may be used. Each medallion or bar made of*
- 10 *gold, silver or platinum must be 0.999 fine. Additional series of medallions*
- 11 *made of gold, silver or platinum at degrees of fineness of 0.900 or greater*
- 12 *may be approved by the director with the concurrence of the interim finance*
- 13 *committee. The degree of fineness of the materials used must be clearly*
- 14 *indicated on each medallion.*
- 15 2. *Medallions may be minted in the following weights:*
- 16 (a) *1 ounce.*
- 17 (b) *0.5 ounce.*
- 18 (c) *0.25 ounce.*
- 19 (d) *0.1 ounce.*
- 20 3. *Bars may be minted in the following weights:*
- 21 (a) *1 ounce.*
- 22 (b) *5 ounces.*
- 23 (c) *10 ounces.*
- 24 (d) *100 ounces.*
- 25 4. *Each such medallion must bear on its obverse The Great Seal of the*
- 26 *State of Nevada and on its reverse a design selected by the director, in*
- 27 *consultation with the executive director of the commission on tourism, the*
- 28 *administrator of the department of museums and history and the executive*
- 29 *director of the department of minerals.*
- 30 Sec. 5. 1. *The director shall set and collect a royalty for the use of The*
- 31 *Great Seal of the State of Nevada from the mint which produces the*
- 32 *medallions or bars. The amount of the royalty must be:*
- 33 (a) *Based on the usual and customary fee charged as a commission by*
- 34 *dealers of similar medallions or bars; and*
- 35 (b) *Adjusted at least once each year to ensure it is competitive with the*
- 36 *usual and customary fee.*
- 37 2. *The director shall report every 6 months to the legislature, if it is in*
- 38 *session, or to the interim finance committee, if the legislature is not in*
- 39 *session. The report must contain:*
- 40 (a) *The amount of the royalties being charged; and*
- 41 (b) *The information used to determine the usual and customary fee*
- 42 *charged by dealers.*

1 3. The money collected pursuant to this section must be deposited in the
2 state general fund.

3 Sec. 6. NRS 235.010 is hereby amended to read as follows:

4 235.010 1. There shall be a seal of the State of Nevada called The
5 Great Seal of the State of Nevada, the design of which [shall be] is as
6 follows: In the foreground, there [shall] must be two large mountains, at the
7 base of which, on the right, there [shall] must be located a quartz mill, and
8 on the left a tunnel, penetrating the silver leads of the mountain, with a
9 miner running out a carload of ore, and a team loaded with ore for the mill.
10 Immediately in the foreground, there [shall] must be emblems indicative of
11 the agricultural resources of the state, as follows: A plow, a sheaf and
12 sickle. In the middle ground, there [shall] must be a railroad train passing a
13 mountain gorge and a telegraph line extending along the line of the railroad.
14 In the extreme background, there [shall] must be a range of snow-clad
15 mountains, with the rising sun in the east. Thirty-six stars and the motto of
16 our state, "All for Our Country," [shall] must encircle the whole group. In
17 an outer circle, the words "The Great Seal of the State of Nevada" [shall]
18 must be engraved with "Nevada" at the base of the seal and separated from
19 the other words by two groups of three stars each.

20 2. The size of the seal [shall] must not be more than 2 3/4 inches in
21 diameter.

22 3. The seal [shall] must be kept by the governor and used by him
23 officially. The secretary of state [shall] must have access to the seal at all
24 times, and may use it in verification of all his official acts.

25 4. [Every] A reproduction or facsimile of the seal may only be used:

26 (a) With the written permission of the governor;

27 (b) In the performance of official acts by an agency of one of the
28 branches of state government;

29 (c) On medallions or bars minted under the direction of the director; or

30 (d) As otherwise permitted by a specific statute.

31 5. Except as otherwise provided in NRS 205.175, every person who
32 [maliciously or with intent to mislead or defraud uses,] uses or allows to be
33 used, any reproduction or facsimile of [the great seal of the State of Nevada,
34 in any manner whatsoever, shall be] The Great Seal of the State of Nevada
35 in violation of subsection 4 is guilty of a misdemeanor.

36 Sec. 7. 1. The director of the department of general services, in
37 consultation with the executive director of the commission on tourism, the
38 administrator of the department of museums and history and the executive
39 director of the department of minerals, shall conduct a contest to select the
40 design for the reverse of one or more medallions minted pursuant to section
41 3 of this act.

1 2. The theme of the design must be related to Nevada and the artist must
2 be a resident of Nevada. The director of the department of general services
3 shall determine the rules for the contest, including the number and identity
4 of the judges.

5 3. Prizes must be given for the designs awarded first, second and third
6 place by the judges. The prize for first place must be the first 1-ounce
7 medallion minted. The prize for second place must be the first 0.5-ounce
8 medallion minted. The prize for third place must be the first 0.25-ounce
9 medallion minted.

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

S.B. 230

SENATE BILL NO. 230--COMMITTEE ON TAXATION

MARCH 13, 1987

Referred to Committee on Taxation

SUMMARY--Proposes to exempt certain forms of precious metals from taxes on retail sales.
(BDR 32-54)

FISCAL NOTE: Effect on Local Government: Yes.

Effect on the State or on Industrial Insurance: Yes.

EXPLANATION--Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to taxes on retail sales; providing for the submission to the voters of the question whether the Sales and Use Tax Act of 1955 should be amended to provide an exemption for certain forms of precious metals sold at retail; contingently creating the same exemption from certain analogous taxes; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 Section 1. At the general election on November 8, 1988, a proposal
2 must be submitted to the registered voters of this state to amend the Sales
3 and Use Tax Act, which was enacted by the 47th session of the legislature
4 of the State of Nevada and approved by the governor in 1955, and
5 subsequently approved by the people of this state at the general election held
6 on November 6, 1956.
7 Sec. 2. At the time and in the manner provided by law, the secretary of
8 state shall transmit the proposed act to the several county clerks, and the
9 county clerks shall cause it to be published and posted as provided by law.
10 Sec. 3. The proclamation and notice to the voters given by the county
11 clerks pursuant to law must be in substantially the following form:
12 Notice is hereby given that at the general election on November 8,
13 1988, a question will appear on the ballot for the adoption or rejection
14 by the registered voters of the state of the following proposed act:

- 2 -

1 AN ACT to amend an act entitled "An Act to provide revenue
2 for the State of Nevada; providing for sales and use taxes;
3 providing for the manner of collection; defining certain terms;
4 providing penalties for violation, and other matters properly
5 relating thereto." approved March 29, 1955, as amended.
6

7 THE PEOPLE OF THE STATE OF NEVADA DO ENACT AS FOLLOWS:
8

9 Section 1. The above-entitled act, being chapter 397, Statutes of
10 Nevada 1955, at page 773, is hereby amended by adding thereto a new
11 section to be designated as section 63.5, immediately following section
12 63, to read as follows:

13 *Sec. 63.5. There are exempted from the taxes imposed by this*
14 *chapter the gross receipts from the sale, storage, use or other*
15 *consumption in this state of:*

16 1. *Gold, silver or platinum medallions or bars which are*
17 *statutorily authorized to bear the state seal; and*

18 2. *Gold, silver, platinum and other precious metals sold at*
19 *retail as bullion, ingots, bars or bullion coins.*

20 Sec. 2. This act becomes effective on January 1, 1989.

21 Sec. 4. The ballot page assemblies and the paper ballots to be used in
22 voting on the question must present the question in substantially the
23 following form:

24 Shall the Sales and Use Tax Act of 1955 be amended to provide an
25 exemption from the taxes imposed by this act on the gross receipts
26 from the sale, storage, use or other consumption of gold, silver or
27 platinum bars or medallions which are statutorily authorized to bear the
28 state seal, and gold, silver, platinum and other precious metals sold at
29 retail as bullion, ingots, bars or bullion coins?

30 Yes No

31 Sec. 5. The explanation of the question which must appear on each paper
32 ballot and sample ballot and in every publication and posting of notice of the
33 question must be in substantially the following form:

34 (Explanation of Question)

35 The proposed amendment to the Sales and Use Tax Act of 1955
36 would exempt from the taxes imposed by this act the gross receipts
37 from the sale, storage, use or other consumption of gold, silver or
38 platinum medallions or bars which are authorized by law to bear the
39 state seal, and gold, silver, platinum and other precious metals sold at
40 retail as bullion, ingots, bars or bullion coins. If this proposal is
41

1 adopted, the legislature has provided that the Local School Support
2 Tax Law and the City-County Relief Tax Law will be amended to
3 provide the same exemption.

4 Sec. 6. If a majority of the votes cast on the question is yes, the
5 amendment to the Sales and Use Tax Act of 1955 becomes effective on
6 January 1, 1989. If a majority of votes cast on the question is no, the
7 question fails and the amendment to the Sales and Use Tax Act of 1955 does
8 not become effective.

9 Sec. 7. All general election laws not inconsistent with this act are
10 applicable.

11 Sec. 8. Any informalities, omissions or defects in the content or making
12 of the publications, proclamations or notices provided for in this act and by
13 the general election laws under which this election is held must be so
14 construed as not to invalidate the adoption of the act by a majority of the
15 registered voters voting on the question if it can be ascertained with
16 reasonable certainty from the official returns transmitted to the office of the
17 secretary of state whether the proposed amendment was adopted or rejected
18 by a majority of those registered voters.

19 Sec. 9. Chapter 374 of NRS is hereby amended by adding thereto a new
20 section to read as follows:

21 *There are exempted from the taxes imposed by this chapter the gross*
22 *receipts from the sale, storage, use or other consumption in this state of:*

23 1. *Gold, silver or platinum medallions or bars which are statutorily*
24 *authorized to bear the state seal; and*

25 2. *Gold, silver, platinum and other precious metals sold at retail as*
26 *bullion, ingots, bars or bullion coins.*

27 Sec. 10. Section 9 of this act becomes effective on January 1, 1989, only
28 if the question provided for in section 3 of this act is approved by the voters
29 at the general election on November 8, 1988.

Samuel B. K. Chang
Director

Exhibit H



LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
Honolulu, Hawaii 96813
Phone (808) 548-6237

October 6, 1987

3708-A

Mr. Steven D. Lee
Goldfinger Hawaii, Inc.
P. O. Box 10578
Honolulu, HI 96816

Dear Mr. Lee:

Earlier this year, I had contacted you or your association concerning the study this office was undertaking in response to House Resolution No. 208, H.D. 1, a copy of which is enclosed for your information.

Our basic research has been completed and we now need your assistance in arriving at a consensus on matters raised in the resolution. For that purpose, we have designed a questionnaire to focus your response thereto. The questionnaire is enclosed together with some tables, charts and one chapter of the report which, hopefully, will provide background information on the questions to be addressed.

We will hold a meeting on Tuesday, October 27, 1987, in Senate Conference Room 5 of the State Capitol beginning at 9:30 a.m. At that meeting, we will go over the materials presented including the questionnaire to assist you in responding to the separate questionnaire items. In addition, we will be interested in any views that you may wish to express on this program.

If you are unable to make the meeting, we would, nevertheless, appreciate your completing and returning to us the questionnaire in the stamped addressed envelope provided. Should you have any questions on our survey or the study, please feel free to call the undersigned at the number above listed.

Please accept our thanks for your interest and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Samuel B. K. Chang".
Samuel B. K. Chang
Director

SBKC:jv
Encs.

List of Nongovernment Invitees to Meeting of October 27, 1987.

Ms. Cleota G. Brown
Vice President/Area Manager
Deak International
677 Ala Moana Blvd., Suite 507
Gold Bond Building
Honolulu, HI 96813

Mr. David Byrne
The Pacific Mint, Ltd.
2349 Plumeria Place
Honolulu, HI 96822

Mr. Thomas Enomoto
Hawaii Visitors Bureau
2270 Kalakaua Avenue, Suite 801
Honolulu, HI 96815

Mr. M. F. Kendrick
Hawaii State Numismatic
Association
Box 477
Honolulu, HI 96809

Mr. Steven D. Lee
Goldfinger Hawaii, Inc.
P. O. Box 10578
Honolulu, HI 96816

Mr. Bernard von Nothaus
Royal Hawaiian Mint
P. O. Box 900
Honolulu, HI 96808

Mr. Joseph Schucart
Montgomery Manufacturing Division
Duty Free Shoppers, Ltd.
3170 Ualena Street
Honolulu, HI 96819

Mr. Edwin Shimizu
The Chamber of Commerce of Hawaii
735 Bishop Street, Suite 220
Honolulu, HI 96813

Mr. Timothy Shoup
Hawaii Jewelers Association
Jewels of the Pacific
432 Ena Road
Honolulu, HI 96815

Exhibit I

Questionnaire

STATE-SPONSORED MINTING OF PRECIOUS METAL MEDALLIONS

1. I am from the Government sector 2
2. I am from the Private sector and am a (check all applicable):
 - 4 Coin collector
 - 3 Coin manufacturer
 - 2 Jeweler
 - 3 Jewelry manufacturer
 - 1 Precious metal/coin dealer
 - Visitor industry/business/trade association representative
 - Other (please specify) _____

Note: Coin includes coins, medals and tokens.

Production of Medallions

3. 5 I am in favor 1 I am not in favor 2 Depends
of the State engaging in a precious metal medallion program.
4. If the State should sponsor a medallion program, the medallions should be minted in:
 - (a) The following metals (check all applicable):

<u>2</u> Platinum	<u>3</u> Bronze
<u>7</u> Gold	<u> </u> Copper
<u>7</u> Silver	<u> </u> Other _____ (please specify)
 - (b) The following weights (check all applicable):

<u>5</u> 1/2 oz.	<u>2</u> 1/20 oz.
<u>5</u> 1/4 oz.	<u>7</u> Other <u>1</u> oz. (please specify)
<u>4</u> 1/10 oz.	<u>1</u> 5 oz.
 - (c) The following places:

<u>5</u> In Hawaii only
<u>1</u> In United States only
<u>2</u> Anywhere it can be produced at the lowest cost

5. The royalty to be charged for state sponsorship of a medallion program should be (check appropriate gold and silver blanks for either (a), (b), or (c)):

For Gold

 \$4

 \$3

 \$2

 \$1

1 @ \$5 Other (please specify)

For Silver

1 \$2

 \$1

 50 cents

 25 cents

_____ Other (please specify)

For Gold

1 \$4

 \$3

 \$2

 \$1

_____ Other (please specify)

For Silver

1 \$2

\$1

 50 cents

 25 cents

Other (please specify) _____

For Gold

2 4%

3%

2%

1%

1 Other (please specify)

For Silver

2 4%

3%

2%

12

Other (please specify) _____

1 No Royalty

6. The medallions should be:

(a) Tied in with tourism promotion. 4 Yes 2 No

(b) And marketed primarily (check one):

2 In Hawaii In the United States

4 Anywhere doesn't matter

(c) With respect to the excise (sales) tax (check one):

2 Totally taxed 2 Totally exempt

1 Exempt only on bulk sales of \$1,000 and over 2 Bulk sales over \$5,000

7. I believe a royalty program in the amounts specified in 5 by the program's third year of operation with good administration will produce annual revenues of (check one appropriate blank for (a), (b), and (c)),

(a) if sales are totally exempt from excise (sales) taxes,

2 Under \$50,000

2 Over \$50,000 but under \$100,000

 Over \$100,000 but under \$200,000

 Over \$200,000 but under \$300,000

1 Over \$300,000 but under \$400,000

 Over \$400,000 but under \$500,000

 Over \$500,000

(b) if only bulk sales of \$1,000 and over are exempt,

3 Under \$50,000

 Over \$50,000 but under \$100,000

1 Over \$100,000 but under \$200,000

 Over \$200,000 but under \$300,000

1 Over \$300,000 but under \$400,000

 Over \$400,000 but under \$500,000

 Over \$500,000

(c) if sales are totally taxed,

2 Under \$50,000 1 @ -0-
____ Over \$50,000 but under \$100,000
1 Over \$100,000 but under \$200,000
____ Over \$200,000 but under \$300,000
1 Over \$300,000 but under \$400,000
____ Over \$400,000 but under \$500,000
____ Over \$500,000

ADMINISTRATION

8. The state medallion program should be administered by the state (check one):

2 Department of accounting and general services
____ Department of budget and finance
2 Department of business and economic development
2 Department of taxation
1 Other (please specify) Dept. of Commerce and Consumer Affairs

9. In carrying out a medallion program, the state should:

____ Restrict the minting of the medallions to one producer after competitive bid
____ Open the minting of the medallions to all producers who qualify under set criteria and willing to pay a set royalty
____ Other (please specify) _____

10. The producer selected by the state should be bonded.

7 Yes 1 No

In the amount of (check one):

3 \$50,000
1 Over \$50,000 but under \$100,000
____ Over \$100,000 but under \$200,000
____ Over \$200,000
1 Other (please specify) Monthly gross premium in proportion to total sales
1 \$2,000,000

11. The design of the medallion should have the state seal on one side
6 Yes 1 No 1 Only on larger sizes
 and the design on the other should be chosen (check one or more):
6 Based on a contest from the general public in State
 Based on a contest from the general public in U.S.
 Based on a contest from the general public anywhere
 Based on a contest from in-state artists only
 Based on a contest from U.S. artists only
1 Based on a contest from artists anywhere
 Other (please specify) _____
12. The winning design should be selected by a committee composed of (check all applicable):
6 Professional coin manufacturers
5 Artists
7 Coin collectors/coin collector association
7 Coin dealers
4 Representatives of the visitor industry
2 General public
3 Jeweler/Jeweler association
4 Precious metal dealers
1 Other (please specify) Educators, UH, DOE, Bishop Museum, Kamehameha School, legislative representative
13. 4 The state should try to achieve a two-way market (buy-back).
4 The state should not try to achieve a two-way market (buy-back).
14. Please share with us below and on the reverse side any other ideas you may have on a state-sponsored precious metal medallion program.

The following handwritten comments received on item 14 of the questionnaire have been transcribed unedited.

As a local mint, we are currently designing, manufacturing and marketing premium coins. These coins are being sold to collectors, precious metal dealers, jewelry manufacturers, jewelry wholesalers and jewelry retailers.

H.R. No. 208 "it would not be the intent of the State to compete at an unfair advantage with private business (including) local coin mints, dealers and jewelers who have already successfully manufactured, marketed and sold commercial gold and silver coins."

We are opposed to an official state coin that would compete at an unfair advantage with any existing private business. This unfair advantage may be reduced by:

1. Producing the official coins in larger (bullion) sizes only. This would reduce the competition of the official coin with existing private Hawaiian coins being sold for jewelry use at much higher premiums.
2. Producing the official coins in a different finish than the existing private coins. (e.g. Bright uncirculated instead of proof.)
3. Charging a high premium for the official coins.
4. Limiting the mintage of the official coins. This would increase the desirability of these coins for collectors, while at the same time prevent flooding the existing market for private coins with a cheaper alternative.

Exhibit J

ANNOTATED DRAFT OF PROPOSED LEGISLATION

The draft of legislation that follows embodies the Bureau's recommendations for a state-sponsored commemorative medallion program should the Legislature decide to undertake such a program.

It should be repeated that with respect to precious metal medallions, there are three distinct markets with different characteristics. First, there is the bullion market. A true participant in this market is not primarily concerned with quantity of pieces issued nor the beauty of design. What counts is that the piece has the integrity of quality and metal content that the piece professes to have. Price is also a prime consideration. The buyer is mainly concerned with the commodity value of a piece and wants the best quality product for the least investment.

The second is the numismatic market. Here, mintage amounts of a particular issue is important as well as the attractiveness of design and how well the piece is produced. A purchaser of a numismatic piece expects to pay a premium over bullion value much greater than the purchaser of a bullion piece. The magnitude of the premium depends on supply and demand market factors.

The third market which surfaced during the meeting of October 27 is the jewelry market. It would appear that if a medallion were sold as a true jewelry piece or if a commemorative medallion, either of bullion or numismatic variety, which is used as the basis for a jewelry piece, the cost or sale price of the item as jewelry would have a floor based on the underlying market price, either as bullion or numismatic item, with a mark-up based upon the artistic design or value added by the work of the artisan who produces the resulting piece of jewelry.

The strategy, therefore, of marketing a state-sponsored commemorative medallion depends upon which of these markets the program is designed to capture. The legislation proposed is written broadly enough to accommodate whatever decision is made.

In terms of the issue of multiple producers, the legislation is broad enough to permit multiple producers if they would submit a bid as a consortium. The administering agency would look to the principal of the consortium as the responsible party. However, in the carrying out of the minting contract, the parties vis-a-vis one another could agree to the roles each of the individuals would play.

A BILL FOR AN ACT

RELATING TO THE HAWAII COMMEMORATIVE MEDALLION PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

"CHAPTER

STATE COMMEMORATIVE MEDALLIONS

§ -1 Definitions. As used in this chapter:

"Buy-back" means that a coin or precious metal dealer will accept for trade at prevailing market prices a precious metal piece as containing the quality and weight stated on the piece if in satisfactory condition.

"Commission" means the advisory commemorative medallion commission established in this chapter.

"Director" means the director of the department of

"Fineness" means the proportion of pure metal, such as gold or silver, contained in a medallion.

"Medallion" means a piece of metal, marked with a design or inscription.

"State seal" means the great seal of the State of Hawaii as described in section 5-5.

Commentary

The administering agency and its head is not designated since it is felt that all four of the logical departments with some connection to the program, are equally competent to handle its administration. The specific choice of agency is a matter of policy depending on what aspect of the medallion program is to be emphasized, i.e., procurement, investment of revenues, promotion of Hawaii and tourism, or enforcement of revenue laws. The questionnaire responses split two votes each for the departments of accounting and general services, business and economic development, and taxation with one vote for the department of commerce and consumer affairs. No one voted for the department of finance.

§ -2 Commemorative medallion program. The director, or the director's designated representative, after consultation with the advisory commemorative medallion commission established in section -3, may:

- (1) Contract or otherwise arrange for the minting of commemorative medallions in such precious or

- nonprecious metals, amounts, weights, and sizes, considered to be appropriate.
- (2) Arrange for the design, promotion, and marketing of commemorative medallions by the State, through the person contracted to mint the medallions, through others, or by a combination of the foregoing.
 - (3) Sponsor contests in connection with the promotion of the commemorative medallion program, including, but not limited to, naming the medallion and designing the faces thereof, and awarding prizes to the winning entries.
 - (4) Notwithstanding section 5-6, authorize the use of the state seal on commemorative medallions minted under this program in return for a royalty for such use.
 - (5) Do all things desirable to successfully carry out the program established by this chapter.

Commentary

This section establishes the state commemorative medallion program, which while not patterned exactly after any other legislation in the Appendix, most resembles South Dakota's. The section is written to give broad authority and discretion to the administering agency head to design a successful program utilizing the expertise of the members of the advisory commission. Note also that contests may be run not only to obtain designs for the medallion but also to give a name to it, such as the "Aloha Dala". These contests may be desirable as part of the promotional aspect of marketing.

§ -3 Advisory medallion commission. (a) There is established, within the department of _____ for administrative purposes, the advisory commemorative medallion commission consisting of five members to be appointed by the governor as provided in section 26-34. The members shall be selected from and representative of at least five of the following segments of the community: a coin dealer, a coin collector not a dealer, a coin or medallion manufacturer, a precious metal commodity dealer, a jewelry industry representative, a visitor industry representative, a community organization representative, or a member of the general public. The governor shall designate the chairperson of the commission.

(b) The members of the commission shall serve without pay but shall be reimbursed for necessary expenses while attending meetings and while in the discharge of duties and responsibilities.

(c) Members of the commission shall be subject to the call of the chairperson or the director.

(d) The duties of the advisory commemorative medallion commission shall include consultation with the director on all matters pertaining to the commemorative medallion program and on such other specific matters upon which the director requests the

commission's advice. The fact that a commission member is financially or otherwise interested in a matter before the commission shall not disqualify the member from participating in deliberations or voting; provided that prior to such action, public disclosure is made of the member's interest. The director, however, shall have the final authority and responsibility on whatever action is taken.

Commentary

This section establishes the advisory commemorative medallion commission, to be appointed by the governor by and with the advice and consent of the senate, for staggered four-year terms. The composition of the commission is specified so that at least five of eight named areas are represented. Members are to serve without compensation and may be convened either by the chairperson or the director. Specific provision is made for the nondisqualification of a member from participation in commission matters if prior public disclosure of a member's interest is made. This is to assure that the commission has the full benefit of each member's expertise. What effect the action of an interested member has on a commission recommendation is to be weighed by the director who has the authority to make and responsibility for making the final decision. Language is included to clearly spell out that the role of the commissioner is advisory.

§ -4 Execution of the program. The following requirements shall apply to the commemorative medallion program:

- (1) The precious metal content of a medallion shall be not less than .916 fine. The fineness of the precious metal content shall be inscribed on each medallion.
- (2) Metals from South Africa shall not be used in minting medallions.
- (3) Medallions shall be minted or produced only within the State.
- (4) The person selected to mint or produce the medallions shall possess such a reputation for quality and integrity of product that the medallions produced by that person are capable of buy-back acceptance.
- (5) Distribution of medallions shall be available to all dealers on an equal basis. Volume discounts may be given.
- (6) Royalties from the medallion program shall be deposited into the state general fund.
- (7) Bond may be required, on such terms as the director deems appropriate, to secure the faithful performance under the contract of the person contracted to produce and market the medallions.

Commentary

While the overall tenor of the law is to be broad and flexible, certain minimal requirements are desirable. Because the program is intended to market bullion pieces, a minimum precious metal content should be established so that Hawaii's medallion is competitive with other bullion offerings. The .916 fineness is on the low side of precious metal content and establishes a minimum fineness similar to that of the gold American Eagle and British Sovereign compared to the Canadian Maple Leaf, China Panda, California Gold, and South Dakota Bison which call for a fineness of .999. A fineness greater than .916 may be required if market conditions dictate a need for a product of greater purity of precious metal content.

In view of the policy position Hawaii's Legislature has taken with respect to divestiture of South African investments by state agencies, a prohibition against using South African metals to mint medallions is included. South Africa produces fifty per cent of the world's gold.

The provision to require producing the medallion in-state is designed to promote the creation of another industry in the State and to capitalize, for promotional purposes perhaps, the fact that the product is made in Hawaii.

A provision is included to require that the minter selected has the qualifications to produce medallions capable of being accepted for buy-back.

Prevention of favoritism and control of prices by select distributors is the purpose behind the provision assuring equal availability to wholesalers and other large quantity purchasers. Distributor selectivity has been a criticism of the United States Treasury's American Eagle sales program. Hawaii may wish to utilize a schedule similar to that of South Dakota as shown in Table 5.

Royalties collected are to be deposited into the general fund. Discretion is given to the program administrator to require a faithful performance bond, depending on its availability and cost.

§ -5 Reports. The director shall submit annually to the governor and the legislature a report on the results of the commemorative medallion program. The report shall contain, at a minimum, data as to the total number of pieces produced, broken down by types of metal, size, number, and weights, royalties collected by categories and period of receipt, which shall be not less than quarterly, and the person or persons who have been contracted to produce the medallions. The director may also include such other information deemed appropriate to furnish an accurate accounting of the operation of the program.

Commentary

In order to assist the Legislature in the evaluation of whether the medallion program is achieving what is intended to be accomplished and whether it should be sunsetted, a reporting requirement is necessary to obtain basic data to assist in determining what types of medallions are the best sellers and the reasons why they are such.

§ -6 Unlawful production of commemorative medallions; forfeiture. State commemorative medallions shall be produced only by persons who have been contracted by the director to produce them. Any person who produces such medallions without a contract shall be guilty of a misdemeanor, and in addition to any other penalty provided by law, shall be subject to forfeiture to the State of any unlawfully produced commemorative medallions in such person's possession.

Commentary

The first part of the section follows prohibitions contained in the statutes of California and South Dakota. A forfeiture of unlawfully produced medallions has been added to strengthen sanctions against unauthorized producers. Forfeitures are not new being authorized in the Penal Code of animals subjected to cruelty and gambling devices and stakes used in gambling.

§ -7 Repeal of chapter. This chapter is repealed on December 31 of the sixth year following the year of its enactment.

Commentary

This section sunsets the state commemorative medallion program at a future time. The program has at least six full years to demonstrate its effectiveness and desirability.

SECTION 2. Chapter 237, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§237- Exemption of bulk sales of bullion. (a) There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter all of the gross proceeds arising from bullion traded in bulk sales of \$5,000 or more.

(b) As used in this section, "bullion" means state commemorative medallions produced pursuant to chapter and precious metal in the form of coins, bars, ingots, or plates which are traded primarily at a mark-up over commodity value and not solely on numismatic value."

Commentary

The approach taken with respect to exemption from general excise taxes is one excluding bulk sales of precious metals in bullion form. While other jurisdictions give an exemption for amounts exceeding \$1,000, the amount used here has been raised to \$5,000. At the current prices of gold, a transaction involving two one-ounce medallions would qualify as a bulk sale transaction if the limit were \$1,000. The intent here is to exempt transactions involving the genuine investor in precious metal commodities, who without this exemption for Hawaii, would probably take the investor's business to some other more favorable taxing jurisdiction.

Total exemption from sales taxes of all transactions in state commemorative medallions is not advised because, as has been previously demonstrated, the greatest amount of revenues raised from a commemorative medallion program will be from the sales taxes geared to an ad valorem base.

It should be noted that the department of taxation by letter dated November 20, 1987 to the author "does not feel that any exemption is necessary for the program." Further that "the exemption of some but not all sales of this type adds to the problems of administering the tax laws and the problems of bookkeeping by the persons who must pay the tax."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$15,000, or so much thereof as may be necessary for fiscal year 1988-1989, to be expended by the department of _____ for the purposes of this Act, including the hiring of staff.

Commentary

An appropriation of \$15,000 is provided for the administration of the commemorative medallion program. This amount is needed to hire a clerical position, which could possibly be part time, to pay commissioners' expenses and to provide for modest contest awards. With any degree of success, the \$15,000 should be easily recouped by royalties.

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

Commentary

The Act's effective date is upon approval.