

H B

508

COMMITTEE REPORT

HOUSE

4/16/81

FURTHER: FINANCE

(5)

Date: 5 9 81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 508

"An Act relating to requirements for fiscal notes and employment notes in the legislative process; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Mr. [Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Mr. [Signature]

Mr. [Signature]

CHAIRMAN

Original sponsors: Gardiner, Rogers,
Meekins, et al

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 508 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to requirements for fiscal notes and
7 employment notes in the legislative process; and
8 providing for an effective date."

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

10 * Section 1. AS 24.30 is amended by adding a new section to read:

11 Sec. 24.30.032. EMPLOYMENT NOTES. (a) A bill requiring the
12 appropriation of state money for a capital improvement project which is
13 presented by the governor to the legislature for introduction under AS
14 24.30.060(b) shall include an employment note containing the following
15 information about the effect of the bill on employment:

16 (1) the number of jobs which would be created, including

17 (A) construction jobs;

18 (B) non-construction contract jobs;

19 (C) operating jobs; both temporary and permanent; and

20 (D) other direct or indirect employment;

21 (2) a description of the employment which would be created
22 by categories, including salary levels for each category.

23 (b) If a bill described in (a) of this section has no effect on
24 employment, a statement to that effect shall be attached.

25 (c) The employment note or statement required by this section
26 shall be prepared by the department or departments affected by the bill
27 in cooperation with the Office of the Governor, division of budget and
28 management.

29 (d) The requirements of this section apply to supplemental budget

1 revisions or budget amendments by the governor which relate to capital
2 improvement projects, and to reports made by the governor covering
3 proposed capital improvement projects which reports are to be con-
4 sidered by the legislature during the interim between legislative
5 sessions.

6 * Sec. 2. AS 37.07.020(a) is amended to read:

7 (a) The governor shall prepare and submit to the legislature
8 before the fourth legislative day a budget for the succeeding fiscal
9 year which shall cover all estimated receipts, including all grants,
10 loans, and money received from the federal government, and all proposed
11 expenditures of the state government. The budget shall be accompanied
12 by a general appropriation bill to authorize the proposed expenditures,
13 and a bill or bills covering recommendations in the budget for new or
14 additional revenues. The budget shall also be accompanied by a summary
15 of the fiscal notes and employment notes required for bills proposed by
16 the governor. AT THE TIME HE SUBMITS THE BUDGET.

17 * Sec. 3. This Act takes effect July 1, 1981.
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ALASKA

STATE LEGISLATURE

MEMORANDUM

TO: Linn Asper,
Legal Services

FROM: Representative Terry Gardiner *T.G.*

DATE: 30 April 1981

RE: Sponsor Substitutes for House Bills 508 and 509

Please redraft these bills as sponsor substitute work drafts and return them to the respective committees by Monday, May 4, at 10 a.m. Please redraft HB 509 as a Sponsor Substitute Work Draft for HB 509. The minor changes are marked on the attached bill.

Please redraft HB 508 as a House State Affairs Committee Substitute for HB 508. It should include the changes marked on the attached bill, plus some other revisions. They are:

- (1) The Division of Budget and Management shall draw up and follow guidelines for presenting other breakdowns in employment, including:
 - (a) seasonal employment and year-round employment;
 - (b) employment within Alaska and employment outside of Alaska;
 - (c) full-time employment and part-time employment;
 - (d) employment in the private sector and employment in the public sector; and
 - (e) employment by region.
- (2) The governor shall attach an employment note to any bill requiring the appropriation of State money for capital improvement projects which is presented to the legislature as a supplemental budget revision or any subsequent budget amendment.
- (3) Any report on a proposed capital improvement project studied by the legislature over the interim shall carry an employment note.
- (4) The Division of Budget and Management shall design and implement an evaluation scheme for their employment note projections, and shall report regularly their findings to the legislature.
- (5) For a bill requiring an appropriation of less than \$1 million, the Division of Budget and Management may use standardized employment coefficients and multipliers for various projects (example: an appropriation of \$1 million for a road creates 6 full-time jobs for one year). For a bill requiring an

MEMO 4/30/81

Page 2

appropriation of \$1 million or more, The Division of Budget and Management shall use individualized assumptions and estimates tailored to the specific project.

Please return the work draft of SSHB 508 to John Hartle in Rep. Rogers' office (4925) and Jeff Petrich in Rep. Miller's office (4964). Please return the work draft of SSHB 509 to Hartle and to Ken Spray in Rep. Hurlbert's office (3873). Please contact these gentlemen if you have any questions.

Introduced: 4/16/81
Referred: State Affairs and
Finance

BY GARDINER, ROGERS, MEEKINS
BUCHHOLDT, DUNCAN, FULLER,
AND ZHAROFF

IN THE HOUSE

HOUSE BILL NO. 508
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE - FIRST SESSION
A BILL

For an Act entitled: "An Act relating to requirements for fiscal notes and employment notes in the legislative process; and providing for an effective date."

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

*Section 1. AS 24.30 is amended by adding a new section to read:

Sec. 24.30.032. EMPLOYMENT NOTES ON BILLS. (a) Before a bill requiring the appropriation of state money for capital improvement projects is presented by the governor for introductions, there shall be attached to the bill an employment note containing the following information about the effect of the bill on employment:

- (1) the number of jobs which would be created, including
 - (A) construction jobs;
 - (B) non-construction contract jobs;
 - (C) operating jobs: both temporary and permanent; and
 - (D) other direct, indirect, and income-induced employment.

- (2) a description of employment by category including salary levels for each category;

- (b) If the bill has no employment impact, a statement to that effect shall be attached.

- (c) The employment note or statement shall be prepared by the department or departments affected in cooperation with the Division of Budget and Management.

- (d) If the bill is presented by the governor for introduction in accordance with AS 24.30.060(b) and the uniform rules of the legislature, the employment note or statement shall be attached to the bill before the bill is introduced.

*Sec. 2. AS 37.07.020(a) is amended to read:

- (a) The governor shall prepare and submit to the legislature before the fourth legislative day a budget for the succeeding fiscal year which shall cover all estimated receipts, including all grants, loans, and money received from the federal government, and all proposed expenditures of the state government. The budget shall be accompanied by a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues. The budget shall also be accompanied by a summary of the fiscal notes and employment notes for all bills proposed by the governor.

*Sec. 3. This Act takes effect July 1, 1981.

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D- P/s. rexyde

(4/4)

Introduced: 4/16/81
Referred: State Affairs and Finance

BY GARDINER, ROGERS, MEEKINS,
BUCHHOLDT, DUNCAN, FULLER AND
ZHAROFF

1 IN THE HOUSE

2 HOUSE BILL NO. 508

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to requirements for fiscal notes and
7 employment notes in the legislative process; and
8 providing for an effective date."

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

10 * Section 1, AS 24.30 is amended by adding a new section to read:

11 Sec. 24.30.032. EMPLOYMENT NOTES ON BILLS. (a) Before a bill
12 requiring the appropriation of state money ~~is presented by~~
13 ~~the governor for capital improvement~~
14 ~~projects is presented by the governor for introduction,~~
15 there shall be attached to the bill an employment note
16 containing the following information about the effect of the bill on
17 employment:

- 18 (1) the number of jobs which would be created, including
 - 19 (A) construction jobs;
 - 20 (B) non-construction contract jobs;
 - 21 (C) operating jobs, both temporary and permanent; and
 - 22 (D) other direct, ~~employment~~ ^{indirect, and income-induced} employment.
- 23 (2) a description of ~~the type of employment opportunities~~ ^{employment} by category, including salary levels
24 ~~which would be provided for each category;~~
- 25 ~~(3) salary levels, including the median salary;~~
- 26 ~~(4) duration of employment;~~
- 27 ~~(5) job skills required;~~
- 28 ~~(6) the number of jobs which would be filled by persons who~~
29 ~~are residents of the state at the time the bill takes effect; and~~
- 30 ~~(7) the number of jobs which would be filled by persons who~~

1 ~~the bill shall be attached to the bill, and effect~~
2 (b) If the bill has no employment impact, a statement to that
3 effect shall be attached, ~~in cooperation with the Division~~

4 ~~of Budget and Management.~~
5 (c) The employment note or statement shall be prepared by the
6 department or departments affected, ~~in cooperation with the~~

7 ~~Division of Budget and Management.~~
8 (d) If the bill is presented by the governor for introduction in
9 accordance with AS 24.30.060(b) and the uniform rules of the legisla-
10 ture, the employment note or statement shall be attached to the bill
11 before the bill is introduced.
12 ~~in cooperation with the Division of Budget and Management.~~

13 * Sec. 2. AS 37.07.020(a) is amended to read:

14 (a) The governor shall prepare and submit to the legislature
15 before the fourth legislative day a budget for the succeeding fiscal
16 year which shall cover all estimated receipts, including all grants,
17 loans, and money received from the federal government, and all proposed
18 expenditures of the state government. The budget shall be accompanied
19 by a general appropriation bill to authorize the proposed expenditures,
20 and a bill or bills covering recommendations in the budget for new or
21 additional revenues. The budget shall also be accompanied by a summary
22 of the fiscal notes and employment notes for all bills proposed by the
23 governor.

24 * Sec. 3. This Act takes effect July 1, 1981.
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Introduced: 4/16/81
Referred: Labor & Commerce and
Finance

IN THE HOUSE

BY ROGERS, GARDINER, MEEKINS,
BUCHHOLDT, DUNCAN, FULLER,
ZHAROFF AND GRUSSENDORF

HOUSE BILL NO. 509

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For and Act entitles: "An Act relating to analysis of employment and
unemployment in the state; and providing for an
effective date."

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

* Section 1. AS 23.15 is amended by adding a new section to read:

ARTICLE 6. ALASKA JOBS INFORMATION BANK.

Sec. 23.15.710. ALASKA JOBS INFORMATION BANK. (a) The
Alaska jobs information bank is established in the Department of
Labor to provide information on employment and unemployment in the
state.

(b) The jobs information bank is a computer model of
predicted employment and unemployment in the state categorized by

- (1) job class;
- (2) region; and
- (3) calendar year quarter.

(c) The jobs information bank computer model data base
includes:

- (1) base level private sector employment;

- (2) base level public sector employment;
- (3) approved but uncompleted state capital construction;
- (4) planned private sector capital construction; and
- (5) other relevant employment information.

(d) The Department of Labor shall annually evaluate jobs information bank predictions of unemployment and employment and shall verify and correct the computer model in response to the results of the evaluation.

* Sec. 2. AS 23.15.110 is amended to read:

Sec. 23.15.110. REPORTS (ANNUAL REPORT). (a) The department shall submit a report to the governor for transmittal to the legislature, concerning its activities during the preceding two years.

(b) By December 31 of each year the department shall publish a report describing migration, employment and unemployment in each industry and region of the state.

* Sec. 3. This Act takes effect July 1, 1981.

Intröduced: 4/16/81
Referred: Labor & Commerce and
Finance

BY ROGERS, GARDINER, MEEKINS,
BUCHHOLDT, DUNCAN, FULLER,
ZHAROFF AND GRUSSENDORF

1 IN THE HOUSE

2 HOUSE BILL NO. 509

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to analysis of employment and un-
7 employment in the state; and providing for an effec-
8 tive date."

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15 (b) The jobs information bank is a computer model of predicted
16 employment and unemployment in the state categorized by

- 17 (1) job class;
18 (2) ~~calendar quarter~~ ^{region;} and
19 (3) calendar year quarter.

20 (c) The jobs information bank computer model data base includes:

- 21 (1) base level private sector employment;
22 (2) base level public sector employment;
23 (3) approved but uncompleted state capital construction;
24 (4) planned private sector capital construction; and
25 (5) other relevant employment information.

26 (d) The Department of Labor shall annually evaluate jobs informa-
27 tion bank predictions of unemployment and employment and shall verify
28 and correct the computer model in response to the results of the
29 evaluation.

1 * Sec. 2. AS 23.05.110 is amended to read:

2 Sec. 23.05.110. REPORTS [ANNUAL REPORT]. (a) The department
3 shall submit a report to the governor for transmittal to the legis-
4 lature, concerning its activities during the preceding two years.

5 (b) By December 31 of each year the department shall publish a
6 report describing ^{migration,} ~~the state of residence,~~ employment and unemployment
7 in each industry and region of the state.

8 * Sec. 3. This Act takes effect July 1, 1981.
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JOBS PLANNING LEGISLATION: WHY?

Alaska's cyclical economy is well-known. Booms in construction and natural resource development have increased the state's employment, income, and population; all three decline during the subsequent busts.

The latest rollercoaster ride - the oil pipeline boom - brought a lot of money to Alaska, but left an employment picture in some ways worse. From 1970-1980, population increased 33 percent, employment increased 99 percent, unemployment increased 178 percent, and the unemployment rate increased 35 percent (from 7.1 percent of the labor force, to 9.6 percent). For the year 1978 - the year after pipeline construction was completed - more than 22 percent of all state income tax returns were filed by part-year and non-residents. And in 1981 almost 10 percent of the year-round population is on food stamps.

Respite the slump of the past few years, Alaska is on an economic upkick, and appears likely to see another explosive boom in the mid-1980's. Looming large on the drawing board are many major projects, such as large dams, petrochemical development, the gasoline, the new capital, Beluge coal, Prudhoe Bay expansion, Beaufort Sea exploration and development, the Knik Arm crossing, bottom fish ports, and large-scale agricultural development. Not all of these projects will be built, but the activity generated by even half could produce a shock to the economy at least equal to that produced by the oil pipeline. The concentration of projects will likely cause a "construction squeeze."

Heavy government involvement in the economy is another Alaska tradition, and much of the upcoming construction squeeze will be provided by state-financed projects. David Reaume, formerly chief economist with the Department of Commerce and Economic Development, estimates that the State's revenues - currently in the six billion dollar range - are roughly equal to the total income received by its citizens. Dams, roads, bridges, buildings - public facilities and infrastructure all around the state are slated to be major priorities for the use of the oil money.

Many of these capital improvements will be supported - at least in part as public works projects, as methods of creating jobs for Alaskans. If they are all built at once, the State will "instead" be creating many jobs for people who are Californians and Texans today.

House Bills 508 and 509 aim to provide legislators with the information needed to plan the timing of State-sponsored projects so as to maximize the opportunities for employment of Alaskans.

HB 508 requires bills appropriating funds for capital improvements to include an "employment note." Similar to the fiscal note traditionally used in the legislative process to determine the cost of an individual bill, the employment note would estimate the number of jobs to be created, and provide a breakdown by region and by category of employment.

The analysis for a bill's employment note would be conducted by the agency affected with the cooperation of the Division of Budget and Management. This is similar to the process by which fiscal notes are prepared.

Originally, the analysis will be limited to those capital improvements, contained in the Governor's budget and those studied by the legislature over the interim. This limitation is desirable because the Governor's budget is assembled in a process consuming most of a year, thus allowing the administration a long lead-time in preparing its first batch of employment notes. Eventually, it may be possible to attach employment notes to bills which appear later in the legislative process, such as bills introduced by legislators. To start with, HB 508 required employment notes on each capital project in the Governor's budget and a summary presentation of the budget's employment impact. It also provides for periodic evaluation of the accuracy of the employment estimates.

HB 509, a companion bill to HB 508, establishes a sophisticated computer modeling system of the State's employment and unemployment by region. Called the "Alaska Jobs Information Bank," the system would provide regular descriptions of Alaska's unemployed in each region, including their skills. It would also contain data on levels of employment expected from various public - and private - sector developments.

JOB PLANNING LEGISLATION INTRODUCED

Representative Brian Rogers and Representative Terry Gardiner have been joined by six other House Democrats to introduce bills designed to measure the number of private sector jobs created by legislative appropriations and state loans.

Called the "Alaska Jobs Planning Legislation," one of the two proposed bills would provide for a sophisticated computer model of the State's predicted employment and unemployment in both the private and public sectors. The other bill would require all bills considered by the legislature to include an "employment note." Similar to the fiscal note traditionally used in the legislative process to determine the costs of individual bills, the employment note would estimate not only the number of jobs, but their salary levels, their duration, and the percentage likely to be held by current Alaskans.

Besides Rogers and Gardiner, the sponsors of the bill providing for a "Jobs Information Bank" computer model are Rep. Jim Duncan of Juneau, Rep. Jack Fuller of Nome, Rep. Fred Zharoff of Kodiak, and Rep. Russ Meekins and Rep. Thelma Buchholz, both of Anchorage. Rogers is from Fairbanks and Gardiner is from Netchikan.

The sponsors of the "employment note" bill include these seven, plus Rep. Ben Grussendorf of Sitka.

To demonstrate how the employment note would work, the sponsors released a preliminary analysis of the employment impact of some bills they have made priorities this session. Legislation backed by the Democrats could provide 9,955 job-years over the next four years. This means 2,489 people could work full-time for four years.

The legislation analyzed covered four major industries: hydroelectric power development, energy conservation, agriculture, and tourism. The analysis revealed significant differences in the numbers of jobs created by State spending.

A State appropriation of \$701,000 in hydroelectric power development (dam building) generates one four-year-long job, while one four-year-long job in energy conservation is created by a State appropriation of \$221,000. A State appropriation of \$282,000 creates one job in agriculture, while one four-year-long job in tourism is generated by a State appropriation of \$18,000.

The caucus pointed out that besides the numbers of jobs created, other important questions concerned the identity of those holding the job (Alaskans or Outsiders), and the duration and type of the job. Jobs in dam-building and energy conservation for example, are temporary construction employment, while jobs in renewable industries like agriculture and tourism tend to be permanent.

The estimates are rough, and are based on conservative interpretations of calculations made by experts and studies in the various industries. They include both direct and indirect employment.

"Some people will question the accuracy of these employment projections," said Rep. Gardiner. "The questions point up the necessity of passing the 'Alaska Jobs Planning' legislation. We need better jobs impact planning and data to gauge the effect of State legislation."

"This bill is aimed at preventing state-fed boom-and-bust cycles," said Rep. Rogers. "This State has seen unemployment go up at the same time employment increased, because Outsiders were coming up to take jobs which could have gone to Alaskans. With all the big construction projects coming up, we'd like to avoid such problems."

In adding her support to the bills, Rep. Buchholdt said, "This job planning would improve the chances of minority groups to work on job skills training and upgrading for these jobs."



Alaska State Legislature

House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Interested Legislators
FROM: Terry Gardiner *T.B.*
DATE: April 21, 1981
RE: Jobs Planning Legislation

Here is some material on jobs planning you might find interesting.

These estimates cover seven new dams and feasibility studies for 36 others.

Full-time
Equivalent Jobs

FY 1982

Construction Direct	450
Feasibility Studies Direct	106
Construction & Feasibility Studies Indirect	<u>268</u> 824

FY 1983

Construction Direct	445
Feasibility studies Direct	106
Construction & Feasibility Studies Indirect	265
Operation & Maintenance Direct	7
Indirect	<u>7</u> 830

FY 1984

Construction Direct	283
Indirect	142
Operation & Maintenance Direct	14
Indirect	<u>14</u> 453

FY 1985

Construction Direct	181
Indirect	91
Operation & Maintenance Direct	28
Indirect	<u>28</u> 328

This includes the urban energy audit program and the Village Energy Reconnaissance and Conservation Program (VERC). It does not include the loans provided under the urban energy audit program.

Full-time
Equivalent Jobs

FY 1982

Urban energy audits

Direct	78
Indirect	78

VERC

Direct	159
Indirect	48
	363

FY 1983

Urban energy audits

Direct	78
Indirect	78

VERC

Direct	466
Indirect	140
	762

FY 1984

Urban energy audits

Direct	78
Indirect	78

VERC

Direct	466
Indirect	140
	762

FY 1985

Urban energy audits

Direct	23
Indirect	23

VERC

Direct	466
Indirect	140
	652

AGRICULTURE JOB ESTIMATES

Full-time Equivalent Jobs

Delta II

On-farm	50
Off-farm	50
	100

Pt. McKenzie

On-farm	100
Off-farm	100
	200

Small-scale

Rural on-farm	15
Rural off-farm	2
Urban on-farm	5
Urban off-farm	2
	24

All the above are permanent jobs. In addition, construction of the grain export terminal will create 85 one-time seasonal jobs.

TOURISM JOB ESTIMATES

All figures are for full-time equivalent jobs beyond current figures of 9,252 direct and 1,850 indirect jobs.

	<u>Low</u> (20,000 growth per year in pleasure visitors)	<u>Medium</u> (40,000 growth per year in pleasure visitors)	<u>High</u> (60,000 growth per year in pleasure visitors)
FY 1982			
Direct	300	600	1200
Indirect	60	120	240
FY 1983			
Direct	600	1200	2400
Indirect	120	240	480
FY 1984			
Direct	900	1800	3600
Indirect	180	360	720
FY 1985			
Direct	1200	2400	4800
Indirect	240	480	960

ASSUMPTIONS AND EXPLANATIONS ON JOB ESTIMATES

Due to the limited data base available, these estimates should be regarded as tentative and approximate. Each is based on conservative interpretations of the estimates of at least two experts, including administrators in the field. These calculations were also compared to (1) national estimates of job impacts of specific industries, and (2) where available, Alaska data. All estimates are for in-state jobs.

Specific assumptions:

1. Hydro figures are for two of the five parts of SB 26: (a) specific new hydro projects, and (b) feasibility studies. The seven specific new hydro projects named in SB 26 are: Bradley Lake, Chester Lake, Port Lions, Snettisham II (Crater Lake), Swan Lake, Terror Lake, and Tye Lake. Green Lake and Solomon Gulch are not included because they are already under construction; hence the State will pay for the projects, but will not start them. These two portions account for \$277.7 million of the \$512.5 million appropriated in SB 26. It also includes another \$140 million needed to complete Bradley Lake and Snettisham II, which is not appropriated in the bill, plus an additional \$9 million to operate and maintain completed dams. The jobs estimates do not include the three other parts of SB 26: the Anchorage-Fairbanks inter-tie; the money for unspecified hydro projects; and the contribution to the power production cost assistance fund.
2. Hydro figures assume:
 - a. 3.5 construction job-years are created directly by each \$1 million spent on dam construction;
 - b. 6.1 year-round job-years are created directly by each \$1 million spent for feasibility studies;

- c. 6.1 seasonal job-years are created directly by each \$1 million spent for feasibility studies;
 - d. 0.5 indirect job-year is created by each direct construction job-year or year-round job-year created (i.e., the multiplier is 1.5)
 - e. 0 indirect jobs are created by the creation of each 1.0 seasonal job-year (i.e., the multiplier is 1.0)
 - f. 7 direct permanent jobs in operation and maintenance are created by the completion of each hydro project;
 - g. 1.0 indirect permanent job is created by the creation of 1 operation and maintenance job (i.e., the multiplier is 2.0);
 - h. the power projects and feasibility studies are completed under the current schedule and cost estimates of the Alaska Power Authority;
 - i. the cost of operation and maintenance for each power project will average \$1 million per year; and
 - j. 1 seasonal job equals 0.25 full-time job.
3. Agriculture figures cover four projects: the Delta expansion (Delta II); the grain export terminal; Pt. McKenzie; and small-scale agriculture. Funds for Delta II and the grain export terminal are scheduled to be appropriated this legislative session. Pt. McKenzie was approved during last year's legislative session, but will be developed this year. Figures for small-scale agriculture cover only those jobs which would be created by the legislation under consideration during the 1981 session.

4. Agriculture figures assume:

- a. Delta II will create 40 permanent year-round on-farm jobs, and 40 permanent seasonal on-farm jobs;
- b. 1.0 off-farm job is created by each permanent year-round on-farm job at Delta II, (i.e., the multiplier is 2.0)
- c. Pt. McKenzie will create 100 permanent year-round on-farm jobs;
- d. 1.0 permanent year-round off-farm job will be created by each permanent year-round on-farm job at Pt. McKenzie (i.e., the multiplier is 2.0)
- e. 85 one-time seasonal jobs will be created directly by the construction of the grain export terminal;
- f. 0 indirect jobs will be created by the construction of the grain export terminal (i.e., the multiplier is 1.0)
- g. 15 rural permanent year-round jobs are created directly by FY 82's small-scale agriculture;
- h. 0.1 indirect permanent year-round jobs are created by one direct rural permanent job in small-scale agriculture (i.e., the multiplier is 1.1)
- i. 5 urban permanent jobs are created by fy 82's small-scale agriculture program; and
- j. 0.3 indirect permanent year-round jobs are created by each urban permanent direct job in small-scale agriculture (i.e., the multiplier is 1.3), and
- k. 1 seasonal job equals 0.25 full-time job.

5. Energy conservation figures assume:

- a. 31,000 audits a year will be completed in the urban areas in FY 1982-84, and 9,000 audits will be completed in FY 1985;

- b. 400 urban energy audits a year are equivalent to one full-time job;
 - c. The VERC program weatherizes every home in rural Alaska by the end of FY 85;
 - d. 1.0 indirect jobs are created by each direct job in urban energy audits (i.e., the multiplier is 2.0).
 - e. 0.3 indirect jobs are created by each direct job in VERC (i.e., the multiplier is 1.3).
6. Tourism figures assume:
- a. 1.5 direct employees are created by the addition of every 100 tourists;
 - b. 0.2 indirect employees are created by each direct employee (i.e., the multiplier is 1.2), and
 - c. The low estimate is based on 20,000/year growth in pleasure visitors over the next five years; the medium estimate is based on 40,000/year growth over the next five years; and the high estimate is based on 60,000/year growth over the next five years (this last is less than the projection of the Alaska Visitors Association). . .
7. The cost-per-job estimate for agriculture is based on these levels of State spending for Delta II, Pt. McKenzie, small-scale agriculture, and the grain export facility:
- | | |
|-------|-----------------------|
| FY 82 | \$44.2 million |
| FY 83 | \$24.0 million |
| FY 84 | \$27.0 million |
| FY 85 | \$ 2.0 million |
| | <u>\$97.2 million</u> |
8. The cost-per-job estimate for tourism is based on the low range of visitors, and these levels of additional State spending for external tourism promotion and advertising:

FY 82	\$ 2.5 million
FY 83	\$ 3.5 million
FY 84	\$ 4.5 million
FY 85	\$ 5.5 million
	<u>\$16.0 million</u>

9. The cost-per-job estimate for energy conservation is based on these levels of State spending on the urban energy audit program and the Village Energy Reconnaissance and Conservation (VERC) program:

FY 82		
Urban	\$ 12	million
VERC	\$ 15	million
FY 83		
Urban	\$ 12	million
VERC	\$ 28.6	million
FY 84		
Urban	\$ 12	million
VERC	\$ 28.6	million
FY 85		
Urban	\$ 3.5	million
VERC	\$ 28.6	million
	<u>\$140.3</u>	million

10. The composite estimates for FY 82- FY 85 are:

<u>Industry</u>	<u>Job-years</u>	<u>Years</u>	<u>4 Year-long Jobs</u>
			(divided by)
Hydro	2435	4	= 609
Energy conser.	2539	4	= 635
Agriculture	1381	4	= 345
Tourism	<u>3600</u>	<u>4</u>	= <u>900</u>
	9955	4	= 2489

<u>Industry</u>	<u>State spending</u>	<u>4 year-long full-time jobs</u>	<u>State Spending per 4-year-long job</u>
			(divided by)
Hydro	\$426.7 million	609	= \$ 701,000
Energy Conser.	140.3 million	635	= \$ 221,000
Agriculture	97.2 million	345	= \$ 282,000
Tourism	16.0 million	900	= <u>\$ 18,000</u>
			\$1,222,000

Average State spending per 4-year-long job for these four industries=

$$\frac{\$1,222,000}{4} = \$305,500$$

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF ECONOMIC ENTERPRISE

POUCH EE
JUNEAU, ALASKA 99811

April 20, 1981

Mr. Brian Rogers
Administrative Assistant
Terry Gardiner's Office
Pouch V
Juneau, Alaska 99811

Dear Mr. Rogers:

You are aware this division constructed and operated a sophisticated econometric model, the Alaska Economic Information Reporting System. This system provided economic data for the annual and quarterly reports and for measuring performance and forecasting the Alaska economy.

Our experience is, the data base for Alaska is very limited, inconsistent and restricted to certain areas.

In our opinion, a sophisticated model information system for maintaining a job bank would run into severe difficulties.

A second problem complicating the proposed operation is the nature of Alaska's economy and its future growth sources. Economic growth will originate from resource development, i.e., fisheries, coal, agriculture, oil and gas, tourism and minerals. The service and support sector growth will occur from the above resource development and with population growth. Resource development is sporadic and tends to happen in crash capital investment programs, e.g., oil pipeline, gas pipeline, port development, etc.

For instance, how would any model handle the gasline project for forecasting job needs. The market demand is not difficult but the policy criteria and training scheduling are nearly impossible with any degree of accuracy.

Our opinion is to approach the project with the number one option of your letter using generic analysis for predictable economic growth in the stable areas and specific analysis for large development projects. It is believed the existing AEIRS could be used for this. It is suggested that Mr. David Reaume be consulted for this as he is the designer of the system.

Mr. Brian Rogers

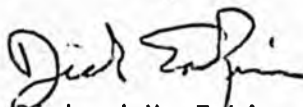
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April 20, 1981

It is further suggested that, rather than trying to outguess the vagaries of forecasting the occurrence for large development projects and their subsequent job demand, basic training programs be provided to upgrade the job seeker's skill and experience level. If the worker possesses basic skill levels, he will qualify for the majority of the jobs evolving in a growing economy and large development projects. It will at least gain him better entrance into the job market. Once in the market and gaining job experience he can better qualify for specialized training which can be provided on short notice when large development projects receive the go ahead.

It is hoped the above information is useful to your deliberation.

Sincerely,



Richard H. Eakins
Director

RHE/cw#26Z10

STATE OF ALASKA

DEPARTMENT OF LABOR

JAY S. HAMMOND, GOVERNOR

BOX 1149
JUNEAU, ALASKA 99811
465-4500

April 20, 1981

The Honorable Terry Gardiner
Pouch V
State Capitol
Juneau, AK 99801

Dear Representative Gardiner:

Your concept of assessing the employment and immigration impact of proposed appropriations is commendable. To accomplish your goals, in a cost effective manner, existing information systems should be utilized wherever appropriate.

An example of this is our occupational employment statistics program. This program utilizes base case (normal without the major projects) industrial employment forecasts; a massive employer survey of occupational staffing patterns; and an industry-occupational matrix which yields projected employment by occupation (job class). Currently these projections reflect annual average employment levels for the State of Alaska, Anchorage and Fairbanks. These forecasts under federal methodologies will show the number of job openings related to industry growth, death and retirement; turnover is not estimated. In responding to HB318, we proposed that the occupational employment statistics (OES) program be expanded to provide projections for six economic regions of Alaska which would geographically exhaust the state. These regions would coincide with those currently utilized for our labor force and unemployment computations.

An expanded OES program would serve many purposes, in addition to your requirements, such as improving the selection of appropriate training programs, and counselling Alaskan students and job seekers on their occupational possibilities.

In your memorandum to Legal Services, dated April 1, 1981, under item 1, you specified that both predicted employment and unemployment by job class by quarter by census district should be provided. Although I know of no state which has prepared quarterly occupational estimates, they could be generated in a base case using annual staffing patterns if users of the data recognize that firms staffing patterns change with the seasons and employers would be reluctant to provide the additional data required to correct for the seasonality. Occupational estimates by census district would be inappropriate as the staffing patterns of individual firms could not legally be disclosed and nonrespondents would significantly distort the estimates at that geographic level.

EMPLOYMENT NOTE

Requiring each funded agency to prepare an employment note will result in noncomparable estimates. Substantial differences between state agencies exist in their ability to analyze employment effects. Requiring these agencies to provide information on all items listed under 2A through 2G of your memorandum to Legal Services could cost more than the preparation of base case occupational employment projections. Furthermore, these employment notes would fail to yield any indirect employment effects.

Perhaps it would be preferable to have the agencies preparing the base case forecasts to also prepare the project analysis of significant projects. While this would not yield the specific detail, project by project, of the items listed under item 2 of your Legal Services memorandum, it would have the advantage of consistency and indirect impacts. This would provide the relative magnitude of employment impacts between projects which could be more important than the actual level.

More extensive analysis should be conducted for the industry employment estimates of large projects. This suggests that rather cook book type methods (e.g. simple multipliers or an automated print out from an input/output model) should be utilized to reduce cost and shorten the analytical time for the smaller projects.

UNEMPLOYMENT

Unemployment, as officially defined, has three major components, the experienced unemployed, new entrants to the labor force, and re-entrants. The experienced unemployed have a job history and can be classified by industry or broad occupation. It may be a mistake to attempt classification of the unemployed with as much detail as the employed. It is not uncommon for unemployed people to have multiple skills allowing them to accept employment in any of several job classes. New entrants have no work history, and no job class. Re-entrants may or may not have a work history and if they do, those skills may no longer be marketable.

A fourth category, the discouraged unemployed, do not fall within the official definition of unemployment, but are of serious concern to anyone planning for the well being of Alaskans. While these individuals may not actively seek work under poor economic conditions, they represent an available labor pool, which may exceed the number of officially unemployed.

Analysis of the Unemployment Insurance data base would yield a cost effective indication of changes in the number of experienced unemployed by industry, area, and occupation. Similar analysis of the Employment Service data base would yield indications of entrant, re-entrant, and experienced unemployed in localities that had access to the Employment Service. More complete characteristics of the unemployed, including the discouraged unemployed, could be obtained from a household survey. Statistically valid data could be produced on a census

Representative Gardiner
Page 3
April 20, 1981

division level, but this would be extremely expensive. Similar results for regional or statewide areas would be significantly cheaper.

INMIGRATION

As part of our population information program this year, we contracted with Western Washington University to obtain a demographics characteristics modeling system for the State of Alaska which entailed research in migration patterns. Coupling the disciplines of demographics and economics, we can make estimates of the numbers of immigrants. This analysis should not be attempted on a project by project basis (nor should analysis of unemployment). A concurrent set of projects induces immigration effects greater than any one project by itself, or various projects spread out over time.

UNRESOLVED ISSUES

Several issues relating to the use of the information requested, level of accuracy required and the parameters of the proposed expenditure impact analysis program must be clarified. The needs of the legislature must be determined before the viability of the program can be assessed. If comprehensive analysis of each project or expenditure are expected the scope of the proposal may be broader than is feasible. The degree of accuracy required and the time horizon of the forecasts must be specified. The reliability of an impact analysis depends upon good information supplied by contractors and other departments as well as considering each expenditure in the context of all other expenditures. Unfortunately, the current state of the art does not allow for accuracy or level of detail implied by your legislation. I feel that further discussion and clarification of options and alternatives is necessary before implementation of this legislation.

Thank you for the opportunity to comment on your draft proposal. I have just received House Bills 508 and 509, and at a first glance, there appears to be significant differences requiring further study. I will be glad to meet with you, or your staff, to reach a consensus on the requirements of this legislation.

Sincerely,

Chuck Caldwell

Chuck Caldwell
Chief
Research and Analysis

CC:mw

cc: Edmund N. Orbeck, Commissioner
John E. Post, Director

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

JAY S. HAMMOND, GOVERNOR

POUCH AM — JUNEAU 99811
PHONE 465-2213

April 23, 1981

The Honorable Terry Gardiner
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Gardiner:

Earlier this month you requested comments on a proposal relating to a job information bank (HB 508, HB 509). Specifically, you wanted suggestions on what might be the best methods for generating information on jobs and income creation from both public and private sector expenditures.

I believe this is a worthwhile endeavor, but also realize that it is not an easy one. Budget and Management has done a report that at least partially covers some of the topics you discussed (copy attached). In this report we compared the employment effects of operating versus capital budget expenditures. Our experience from this report causes me to conclude that a more complete approach such as you suggest will be difficult.

I think the most useful approach would be to use generic estimates, as we did in our report. These probably would have to be constructed using primarily national ratios, but eventually could be refined to use Alaska data. Of course, these estimates would represent only "standard" projects and could not be expected to provide accurate estimates for any single project. They should, however, be useful as aggregate figures.

Applying these ratios against any particular capital spending program should provide a profile of labor requirements. From that point on, the difficulties in analysis multiply rapidly because of problems in estimating labor supply in any particular profession. For instance, with semi-skilled jobs there tends to be a considerable amount of mobility between job classifications, which makes it rather difficult to estimate the number of potential job seekers in any one class. This problem is compounded when attempts are made to make these estimates for sub-areas of the state, again because of high mobility.

I'm not really sure how one can adequately deal with the effects of immigration. The state's econometric model, which is now maintained by Budget and Management, has migration equations, as does the econometric

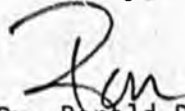
The Honorable Terry Gardiner
April 23, 1981
Page 2

model run by the Institute of Social and Economic Research at the University of Alaska. Although both of these models can predict migration, I think it is fair to say that the individuals who work with these models are not really satisfied with the migration sectors. More work needs to be done in this area, so eventually we may have something that everyone can be comfortable with.

I hope I don't sound too negative in this letter, particularly since I agree with you that information of this type should be made available. My cautionary comments are intended only to try to increase the likelihood that a useful output will be produced, rather than just a collection of meaningless numbers. My staff and I will continue to work on specific suggestions that might be helpful in this regard.

Thank you for the opportunity to comment on this suggestion, and please let me know if you would like to discuss any of this further.

Sincerely,



Dr. Ronald D. Lehr
Director

Enclosure



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

April 20, 1981

MEMORANDUM

TO: Representative Terry Gardiner
Representative Brian Rogers
Attn: Cliff Groh

FROM: Jack Kreinheder *JK*
Research Staff

RE: Employment and Income Effects of State Expenditures
Research Request No. 81-104

You have asked that I offer suggestions on the best way to generate projections on the employment and in-migration effects of State expenditures. Such projections would be used in the preparation of "employment notes" for appropriation bills, similar to the fiscal notes now required. HB 508, introduced last week, would amend AS 24.30 to require these employment notes for all legislative appropriations.

There are a number of important factors which must be considered in determining what the most effective method(s) of projecting these employment effects would be, or even whether the employment note process would be viable at all for some expenditures. Although the type of employment information which would be required by HB 508 would clearly provide a valuable base for legislative decisions, there are some major problems with the concept. Among the most significant questions are the following:

1. Is the existing information base on employment requirements of various industries and the job skills of the Alaska labor force sufficient to make reasonably accurate projections of the employment and in-migration effects of State expenditures? If not, can the necessary information be compiled at a justifiable cost?
2. Can an accurate correlation be made between State expenditures and employment for indirect appropriations such as loans, some infrastructure improvements, or other development assistance?
3. Is it possible to project the number of resident Alaskans to be employed as a result of direct expenditures such as road and hydroelectric construction, where the relative number of residents and nonresidents hired often depends on whether the contractor receiving the job is located in-state or out-of-state?

Representative Terry Gardiner
Representative Brian Rogers
April 20, 1981
Page 2

Information Base

As you may know, I prepared a memo last session for Representative Malone in which I attempted to identify the general effects of State expenditures on unemployment and in-migration. At that time, information on the number of jobs generated in Alaska by each unit of sales or State expenditures was available only for a few of the industries I examined: Seafood Harvesting and Processing, Building Construction, Tourism, and State Government Administration. For the remaining industries, it was necessary to use nationwide employment averages prepared by the U.S. Bureau of Labor Statistics.

It is uncertain how much employment requirements vary between the U.S. as a whole and Alaska for the same industries. However, these differences could be significant and it would probably be desirable to conduct a survey of major Alaska industries to determine the actual relationship between industry sales or level of activity and employment. The Alaska Department of Labor would probably be the appropriate agency to conduct this type of survey and would be able to provide a cost estimate for the work.

In addition to the number of jobs generated by an industry, the mix of job skills required by a given industry is also important, particularly in estimating the ratio of resident to nonresident hiring which might result from a specific expenditure. The Department of Labor has produced a report ("Occupational Employment Statistics") which provides a breakdown by job type of the employees in 22 Alaska industry groups. This information appears to be sufficiently accurate for the purposes of projecting the employment effects of State expenditures, but it may be desirable to obtain a more detailed industry breakdown.

The above information is necessary to determine the number and types of jobs likely to be generated by a given expenditure; however, it says nothing about the number of Alaskans who would be hired. A particular legislative appropriation could create a large number of jobs, but if few Alaskans had the necessary job skills required for the project, most of the jobs could go to nonresidents. In order to assess the number of resident jobs created by an expenditure, detailed information on the labor skills of unemployed Alaskans is needed.

The Department of Labor has compiled a fairly detailed listing of these labor skills in the report "Occupational Supply and Demand". Although the skill breakdowns appear detailed enough for your purposes, the number of employees in each skill classification is presently only an approximate estimate based on Employment Service job applicants, CETA job holders, occupational licensing statistics, and the number of recent college graduates in each field. It may therefore be necessary to conduct additional research in this area in order to accurately assess the number of Alaskans who could fill newly created jobs.

Indirect Expenditures

During my work last session on this subject, I found that of the industries examined, direct relationships between State expenditures and employment could be determined only for the road construction, hydroelectric construction, and State government sectors. It is these sectors which receive appropriations directly from the State and in which there is a clear link between expenditures and employment.

For other industries, however, the State does not purchase the product or pay the salaries of employees in the industry. Instead, State expenditures generally take the form of loans, subsidies, infrastructure development, or other indirect methods of assistance. The employment effects of these indirect types of expenditures can vary considerably and are difficult to determine except on a case-by-case basis. For example, State loans for agricultural development may have a much different employment impact than an appropriation of equal value for an agricultural marketing study.

This problem was circumvented to some extent in my work last session by relating employment effects for these industries to the dollar value of industry sales, rather than to State expenditures. Although the correlation between expenditures and sales must still be made, probably on an individual basis, it may be easier in some cases for departments preparing employment notes to relate expenditures to the effect on industry sales than to employment and immigration. In any case, the accuracy of employment projections for these indirect expenditures is likely to be less certain than for direct expenditures like construction or State employment.

Resident Hiring and In-Migration

Although it should be possible to project accurately the number of jobs created by direct State expenditures, it may be difficult to determine the number of these jobs that will go to residents and nonresidents. Although the information described earlier should indicate whether the required job skills can be provided by Alaskans, the fact that these skills can be provided is no guarantee that all, or even most of the jobs will be filled by Alaskans. In the absence of a mandatory Alaska hire law, some nonresidents are likely to be hired regardless of the number of unemployed Alaskans having the same skills, for at least two reasons. One is that an out-of-state contractor winning a State bid for construction, printing, or other work is likely to employ a number of nonresidents to complete the work. Second, an Alaskan employer may prefer to hire a more experienced nonresident worker than a resident worker with the same skills but less experience.

Although this problem could be solved to some extent by determining the percentage of State expenditures in various industries that had gone to

Representative Terry Gardiner
Representative Brian Rogers
April 20, 1981
Page 4

out-of-state firms over the past several years, it would still be difficult to project resident/nonresident hiring patterns for a specific appropriation.

General Comments

Because of the complexity of making the employment projections required for the employment note process, it may be most effective to establish a central computer model that could be used by all departments to assist in making these projections. Such a central model would also ensure that the employment projections were all made on the same basis. However, the model might not be sufficient to make projections for all types of expenditures, and it may be desirable to conduct individual studies for unusual or major expenditures.

Regional employment estimates would probably be of greater utility than Statewide projections; however, the difficulty of making accurate estimates would increase in proportion to the degree of geographic detail required. Ideally, an election district breakdown of employment impacts would be the most useful, but may be impractical. A division of employment estimates by five regions -- Southeast, Southcentral, Western, Interior, and Northern -- would probably be feasible and would provide useful information.

Employment Projections in Other States

I contacted Ken Kirkland of the National Conference of State Legislatures to find out whether other states require employment projections for new legislation. Three states do require, or make available, "economic impact statements," but Florida is the only state in which they are commonly used. Florida requires the preparation of these statements, which include general employment effects, for all bills or proposed rule changes. These statements are usually prepared by the staff of the appropriation and finance committees and average five to ten pages in length.

New Jersey law provides that members of the legislature may request the Department of Labor and Industry to prepare economic impact statements for specific bills. However, only three statements had been requested as of the end of 1979. California law allows legislators to request either an economic impact statement or a less detailed job impact report. Such requests must be approved by the rules committee in each house. As of October, 1979, none of these statements or reports had been prepared. Apparently, the cost and time involved in the reports is a major consideration.

I hope this information is helpful. Please give me a call if you have any questions or would like additional information.

MEMORANDUM

TO: Gardiner
FROM: Groh *CSG*
DATE: April 27, 1981
RE: Economic Development and Jobs Creation

You have asked me to offer my comments about recommendations made to the State of Washington concerning an economic development plan. The recommendations offered by the letter fall into four (4) categories. They are:

1. State tax incentives aimed at reducing the cost of labor within the State, thereby increasing industrial development and getting people off the unemployment line immediately.
2. A program designed to make the labor required by industry available by matching the job skills of residents to the occupational requirements of employers.
3. A program designed to expand industrial development within the State by reducing industry's cost of capital through State assistance in securing financing.
4. A program of expanding industrial development within the State by further development of infrastructure.

I will consider these recommendations in the order that I have laid out above.

1. Tax incentives for increasing private-sector employment in unskilled and semi-skilled jobs by unskilled and semi-skilled unemployed residents.

This proposal has three (3) goals:

- a) getting people off the unemployment lines immediately
- b) avoiding labor importation by labor-intensive industries which are already here or scheduled to come here
- c) attraction of labor-intensive industries to the State by reducing the cost to them of unskilled and semi-skilled labor.

This recommendation assumes that insufficient economic activity is the reason why people are unemployed. Yet even if economic activity provides a number of jobs, an individual might not be able to get or keep a job because employers believe he does not have the basic intelligence or physical ability necessary, or because employers believe he does not have good work habits or proper attitude, or because employers believe he does not have the required skills. The traditional seasonality of employment, and traditional rural life-style and culture in much of Alaska, may produce a number of people who do not possess the attitudes necessary to get and keep a year-round job. Many people seem to like to be unemployed for at least part of the year, like the winter. To confirm this impression and investigate many other beliefs about the unemployed, we definitely need more information on the composition of the unemployed population in Alaska.

I have other concerns about this proposal. Some people have raised the philosophical objection that it would be unfair to provide state subsidized workers to one employer in the private sector while his competitor did without this assistance. Others have wondered what would happen if such a proposal to increase labor-intensive industry in the State actually worked. How much labor-intensive industry do we want? "Pipelines don't shoot moose, people do."

Avoiding labor importation is a worthy goal. Can the State do it legally, however, through distribution of benefits in the form of tax breaks to private companies on a basis of hiring which discriminates in favor of two-year plus residents? Would this policy run into the same constitutional problems which plagued the earlier "Alaska hire" law?

The jobs planning legislation that we have developed, for example, does not mandate the hiring of residents. Our bills merely try to give the legislature and administration the information needed to: (1) rank-order various development projects on a basis of the efficiency of State investment in employment, and (2) schedule their timing. (For State-sponsored projects, this is easy; to influence the occurrence and timing of projects with no State funding, the State would have to use its leverage through taxes, environmental regulations, etc.) Finally, are these incentives suggested which provide a maximum reduction in total tax liability of \$50,000- large enough to attract significant industrial development? Higher labor costs are an important component of the hire cost of doing business in Alaska, but how large are taxes in that total cost of labor? Is a maximum \$50,000 reduction in total tax liability a sufficiently large incentive to influence business decisions?

2. Making the labor required by industry available by training residents.

For this kind of program to work, we need to structure it as to get motivated employees and involved employers. As with the immediate employment program suggested in #1, it's preferable to provide partial, quite short-term subsidies to employers to work with selective employees. Our focus in both immediate employment and jobs training programs should be more oriented toward the work incentive (WIN) and targeted jobs tax credits (TJTC) federal programs, than toward CETA.

One way to structure the program might be to provide employers with a subsidy for training that went down on a sliding scale. It might be 80% for the first month, down to zero after nine months- so as to get the employer motivated to train the employee and the employee oriented toward learning. In addition, the other recommendations- for flexibility and close coordination with industry, State support for State funding, and for minimal reporting and paperwork requirements so as to reduce the hassel to employers- are all good ones.

Two warnings should be added. The letter to the State of Washington official suggests a new executively created labor market productivity counsel. We should watch out about expanding the vocational/education employment training bureaucracy, which is already one of the most tangled bureaucracies in the State of Alaska today.

In addition, as was suggested by the comments directed towards the tax credit for immediate employment program, there are some people for which a jobs training program might not work. These are people whose main problem with getting a job is not the lack of economic activity or their lack of skills, but instead their physical incapacity or insufficient intelligence or inappropriate habits and attitudes for employment. Some of these people may be untrainable. If they are both untrainable and chronically unemployed, maybe a solution is State-provided income maintenance. The problem is to keep this class of chronically untrainable and unemployed from including everyone. If there are not minimum measurable standards (beyond the obvious ones of blindness, paralysis, etc.) besides chronic unemployment, how do we keep everybody from joining? May be the way to do this is to keep the payments for this class significantly lower than income made through jobs.

3. Reducing the cost of capital to industry through State assisted financing.

This recommendation proposes incentives for luring private sector capital investment into the State, and the encouragement of existing industries to expand their stock of plan or equipment in the State through State assistance in obtaining financing. The suggested method is through State assistance in the issuance of industrial revenue bonds. These are bonds sponsored by State or local government whose interest is exempt from federal income taxes. As the attached Wall Street Journal article points out, the use of this kind of financing for commercial projects is coming under increasing attack on philosophical grounds. One objection is the same offer as that offered against State-subsidized workers: Why should one firm in a free market economy get State assistance while his competitor does not? These industrial revenue bonds have often gone to quite large firms- such as K-Mart shopping centers or Burger King- and have prompted criticism and complaints from smaller competitors who say they can't compete with big firms in the bond markets.

4. Development of infrastructure so as to attract industry.

The letter recommends that the State expand its involvement in the development of industrial infrastructure, such as transportation, energy, and standard amenities such as sewage and water lines.

Two concerns arise here. The first is that one of the attractions of Alaska to many people is its relatively undeveloped state. Building a transportation network around the State- particularly a surface transportation network of roads and railroads- would significantly reduce that undeveloped quality. This may be necessary to acquire the development which many people want here, but it seems a good idea to wait on this roading and railroading of the State until such industrial development will occur. Why jump in now when the economics of many suggested developments suggests that such roads and railroads may not be needed until the year 2020 or later?

In addition, there is the question of who pays for these roads and railroads, both their construction and their operation and maintenance. If a road to a remote area is useful to one mining company, why shouldn't that mining company build the road? Instead of the State building a large-scale transportation network in the hopes of attracting industrial development, why not let industry identify the most promising commercial projects around the State and than let the State and the industry decide whether they will be developed.

Perhaps an ideal way of handling this would be for a private company to suggest a venture it has decided to involve itself in, like copper mining in the Brooks Range. The company could propose its venture, including the number of jobs it would create, the environmental impacts, and its proposed investment. Then State policy makers could prepare a scheme for taxation and regulation, review the environmental impact statement, and put the project to a vote of the State (perhaps allowing a veto to the region most affected). Then if the free market decides if the project is economically and technically feasible, and the people decide that is socially, economically, environmentally, and politically desirable- the company would obtain private sector financing for the project, build the necessary infrastructure, and develop the mine itself.

something that the man across the street doesn't have. Neiman Marcus, in addition to the goods marketed under its own name, has created several others. Its Red River label, for example, started in 1977 as a house brand for cowboy hats, popular among tourists visiting its Dallas store. Since then, the Red River name has been added to men's Western wear, women's clothing, chili and popcorn. Total Red River sales: nearly \$10 million a year.

THE PROLIFERATION OF STORE BRANDS is aiding the profitability of retailers who can deal directly with manufacturers instead of going through middlemen. That also can mean lower prices for customers. The best-selling item in Bloomingdale's spring catalog is a \$26 pair of women's pants with the store's name on the rear pocket. Competing designer brands from Calvin Klein or Liz Claiborne retail for about \$40.

In the past, exclusive retailers have used private labels mostly for imported merchandise bought to fill in items unavailable at the right price or quality in the U.S. The spread of store brands, say retail experts, will benefit manufacturers. A garment maker can control overhead when it has a firm order for a store's private label better than when it produces on speculation for the general market.

Although carriage-trade stores will continue to stock designer lines, retail experts expect the private label trend will continue. And chains won't be shy about promoting their own labels. To tout Red River products, Neiman Marcus has bought a 1,300-pound longhorn steer named Red River. Its visage adorns the label, and the bear itself sometimes is on display at Neiman Marcus stores.

—JEFFREY H. BIRNBAUM

UAW Protests Toyota Dealer's Bid For Helping Hand From the Public

By DAVID P. GARINO

Staff Reporter of THE WALL STREET JOURNAL
HAZELWOOD, Mo. — In recent years, states and cities have increasingly used tax-exempt industrial-revenue bonds to finance such business ventures as shopping centers, fast-food outlets, and ski resorts. Now a foreign-car dealer wants to cash in on the benefits of the publicly subsidized bonds, and the United Auto Workers union is unhappy.

Jim Lynch, a Toyota dealer in this St. Louis suburb, wants the St. Louis County Industrial Development Authority to issue \$865,000 in revenue bonds to cover construction of a showroom and service center. Mr. Lynch also sells Cadillacs, and Toyota's management has told him to either build separate facilities for the Japanese-made autos by next February or risk losing his franchise.

Question of Jobs

The UAW doesn't think it's a bond-worthy project. "We aren't blaming the Jim Lynches of the world who sell Imports for the ills of the American auto industry," says Jerry R. Tucker, international representative of the UAW's Region 5. But Mr. Tucker says revenue bonds should be used "to create jobs and industry," not to finance foreign competitors.

Particularly galling to the union official is the location of Mr. Lynch's dealership: roughly two blocks from Ford's Hazelwood assembly plant, where employment has dropped to about 1,400 from more than 3,000 in 1979.

A \$1 Billion Loss

Government-sponsored tax-exempt bonds used to be limited to such public-works projects as schools, sewers, and highways. But in recent years, the concept has been widely used to promote commercial projects. The Congressional Budget Office estimates the loss in tax revenue due to the sale of such bonds was about \$1 billion in the fiscal year ended Sept. 30.

Mr. Lynch insists his application qualifies under state law and the county development agency's guidelines. Alan Wright, the agency's executive director, agrees. The agency's board is expected to consider the bond request today.

Even so, Mr. Wright says it's curious that "the U.S. is propping up Chrysler with loans while we're being asked to help" a foreign-car dealership just down the street from a depressed Ford plant.

There may be more irony ahead. Ford and Toyota have already announced plans for a joint venture, and the Hazelwood plant is rumored as a possible production site.

ter named John Cale and a band called Oingo Boingo.

Mr. Copeland, whose father helped organize the Central Intelligence Agency, hooked up with A&M through a mutual association with a band called The Police. Mr. Copeland manages the band, which is signed to A&M. (His brother is the group's drummer; another brother heads Frontier Booking International, which arranges tours for most L.R.S. acts.)

Police Precedent

Through low-budget tours and creative promotion, Mr. Copeland helped turn The Police into a group that sells millions of records. Mr. Copeland and A&M figured that if he could do it for The Police, he could do it for other groups too.

While larger companies have failed in efforts to promote new groups, L.R.S. is succeeding because it controls costs and tailors promotion to each group.

It refuses to advance large sums, and typically spends about \$20,000 to produce an album, while a major company might spend \$100,000. Rather than depend on radio broadcasters, who are often reluctant to play new music, L.R.S. sends its acts on nationwide tours to build a following. While on the road, artists bunk two to a room, travel by car and exist on meager stipends. Larger companies usually are expected by their artists to spend far more extravagantly, and therefore can't afford to keep new bands on the road.

No Time for Training

"We have more people, more expenses and a much greater overhead," says Gilbert Friesen, A&M's president. Mr. Copeland agrees. "Record companies are so overburdened with staff and machinery, they can't take the time to slowly develop a group," he says. L.R.S., he says, doesn't expect large sales until the third album.

Mr. Copeland acknowledges that some people might say his company is successful because it has redefined success. But he maintains that all his groups can reach a "level of success they're happy at," and that many of them can become stars.

In picking bands, Mr. Copeland says he signs only the ones he personally likes; the likelihood that they will become popular is a secondary consideration. Such as: The Cramps.

The members of the New York-based band, led by guitarist Poison Ivy and singer Lux Interior, look like they stepped out of a 1950s horror movie. "I walked down the street in New York with him (Mr. Interior) and traffic stopped," recalls Mr. Copeland. "And that's in New York, where people are pretty weird anyway."

The Cramps' strange musical mix of rockabilly and voodoo chants doesn't have universal appeal. But after the release of their first album, "Songs the Lord Taught Me to Sing," the band's popularity is soaring.

Please Turn to Page 43, Column 5

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Editorial: If The

By DAVID P. GARINO

Staff Reporter of THE WALL STREET JOURNAL
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