

LEG. FINANCE - BILLS 1975 - 1976 481

HB 877 thru HB 878 481



RECORDS CERTIFICATION



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James O. Smith
Signature of Camera Operator

2/7/90
Date

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

MEMO TO FILE

DATE: March 19, 1976

If language similar to that in last year's pay increase legislation limiting retroactive payments to persons still employed by the State is inserted in this bill, please suggest that the language be expanded to cover persons who retired during the period covered by the Act.

J. H. Hogan

"An Act providing a new salary schedule and cost-of-living increase for certain employees of the state not covered by a collective bargaining agreement, and providing for an effective date."

COMMITTEE REPORT

by the Finance Committee

HOUSE

Mr. Speaker:

Date _____

The Committee on FINANCE has had HB 877

under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Members NOT concurring in the Majority report:

- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:
- _____ recommends:

Chairman

Original sponsor: Finance Committee

IN THE HOUSE

BY THE RULES COMMITTEE

CS FOR HOUSE BILL NO. 877

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act providing a new salary schedule and cost-of-living increase for certain employees of the state not covered by a collective bargaining agreement; and providing for an effective date."

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

* Section 1. AS 39.20.080(b) is amended to read:

(b) The monthly salary of the deputy head of each principal executive department of the state, upon his appointment is not less than Step A, Range 28, nor shall it exceed Step E, Range 28, of the salary schedule set out in AS 39.27.011 [AS 39.27.010], during the term of his appointment. AS 39.27.022 may not be applied to the salary of a deputy department head in such a way that his salary would equal or exceed that of a department head.

* Sec. 2. AS 39.27 is amended by adding a new section to read:

Sec. 39.27.011. SALARY SCHEDULE. (a) Notwithstanding sec. 10 of this chapter, the following annual basic salary schedule is approved as the pay plan for classified and partially exempt employees in the executive branch of the state not covered by a collective bargaining agreement negotiated under the authority of the Public Employment Relations Act:

Range	Step	Step	Step	Step	Step	Step
No.	A	B	C	D	E	F
5	9,600	9,888	10,206	10,512	10,836	11,136
6	10,200	10,512	10,836	11,136	11,484	11,844

7	10,836	11,136	11,484	11,844	12,216	12,612
8	11,484	11,844	12,216	12,612	12,996	13,400
9	12,216	12,612	12,996	13,440	13,872	14,280
10	12,996	13,440	13,872	14,280	14,772	15,240
11	13,872	14,280	14,772	15,240	15,744	16,272
12	14,772	15,240	15,744	16,272	16,800	17,508
13	15,744	16,272	16,884	17,508	18,156	18,852
14	16,884	17,508	18,156	18,852	19,560	20,304
15	18,156	18,852	19,560	20,304	21,048	21,852
16	19,560	20,304	21,048	21,852	22,668	23,520
17	21,048	21,852	22,668	23,520	24,408	25,308
18	22,668	23,520	24,408	25,308	26,244	27,252
19	24,408	25,308	26,244	27,252	28,272	29,340
20	26,244	27,252	28,272	29,340	30,408	31,560
21	28,272	29,340	30,408	31,560	32,760	33,972
22	30,408	31,560	32,760	33,972	35,256	36,576
23	32,760	33,972	35,256	36,576	37,932	39,372
24	35,256	36,576	37,932	39,372	40,836	42,372
25	37,932	39,372	40,836	42,372	43,968	45,624
26	39,372	40,836	42,372	43,968	45,624	47,304
27	40,836	42,372	43,968	45,624	47,304	49,092
28	42,372	43,968	45,624	47,304	49,092	50,940
29	43,968	45,624	47,304	49,092	50,940	52,836
30	45,624	47,304	49,092	50,940	52,836	54,828

(b) The salary schedule set out in (a) of this section has no effect upon other provisions of law specifying the salary of the governor, lieutenant governor, legislators, judicial officers as defined in AS 22.20.010, department heads, and members of the Alaska Utilities Commission, the Alaska Transportation Commission, the Alaska

Pipeline Commission, or the Alaska Commercial Fisheries Entry Commission.

* Sec. 3. AS 39.27.020(a) is amended to read:

(a) The following pay step differentials are approved as an amendment to the basic salary schedules [SCHEDULE] provided in secs. [SEC.] 10 and 11 of this chapter:

Election District	Pay Steps Above Basic Salary Schedule
1	0
2	1
3	1
4	0
5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Kenai Duty Station)	0
15b (Kenai Duty Station)	8
16a (south of Arctic Circle)	4
16b (north of Arctic Circle)	0

17	9
18	7
19	8
Outside the State	minus 6

* Sec. 4. Since the United States Department of Labor's Consumer Price Index for Anchorage rose 11.13 percentage points during calendar year 1975, the salary schedule in AS 39.27.010, applicable during calendar year 1975 to classified and partially exempt state employees who are not covered by a collective bargaining agreement, shall be adjusted based on the increase of two full percentage points for calendar year 1975, retroactive to July 1, 1975 which is the beginning of the calendar quarter in which the rise exceeded nine per cent.

* Sec. 5. It is the intent of the legislature that the permanent and temporary nonjudicial employees of the judicial branch and the University of Alaska and the permanent employees of the legislative branch receive pay increases and cost-of-living adjustments comparable to those received by the classified and partially exempt employees under this Act.

* Sec. 6. Sections 2 and 5 of this Act are retroactive to January 1, 1976.

* Sec. 7. This Act takes effect immediately in accordance with AS 01.10.-070(c).

1 IN THE HOUSE

877 BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 387

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing a new salary schedule and cost-of-
7 living increase for certain employees of the state not
8 covered by a collective bargaining agreement; and
9 providing for an effective date."

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

11 Section 1. AS 39.20.090(b) is amended to read:

12 (b) The monthly salary of the deputy head of each principal
13 executive department of the state, upon his appointment is not less than
14 Step A, Range 28, nor shall it exceed Step E, Range 28, of the salary
15 schedule set out in AS 39.27.011 [AS 39.27.010], during the term of his
16 appointment. AS 39.27.022 may not be applied to the salary of a deputy
17 department head in such a way that his salary would equal or exceed that
18 of a department head.

19 Section 2. AS 39.27 is amended by adding a new section to read:

20 Sec. 39.27.011. SALARY SCHEDULE. (a) Notwithstanding sec. 10 of
21 this chapter, the following annual basic salary schedule is approved as
22 the pay plan for classified and partially exempt employees in the
23 executive branch of the state not covered by a collective bargaining
24 agreement negotiated under the authority of the Public Employment
25 Relations Act:

Range	Step	Step	Step	Step	Step	Step
No.	A	B	C	D	E	F
5	--	--	--	--	--	11,136
6	--	--	--	11,136	11,484	11,844

1	7	--	11,136	11,484	11,844	12,216	12,612
2	8	11,484	11,844	12,216	12,612	12,996	13,440
3	9	12,216	12,612	12,996	13,440	13,872	14,280
4	10	12,996	13,440	13,872	14,280	14,772	15,240
5	11	13,872	14,280	14,772	15,240	15,744	16,272
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24	30	45,624	47,304	49,092	50,940	52,836	54,828

(b) The salary schedule set out in (a) of this section has no effect upon other provisions of law specifying the salary of the governor, lieutenant governor, legislators, judicial officers as defined in AS 22.20.010, department heads, and members of the Alaska Public Utilities Commission, the Alaska Transportation Commission, the Alaska

1 Pipeline Commission, or the Alaska Commercial Fisheries Entry Commis-
2 sion.

3 * Sec. 3. AS 39.27.020(a) is amended to read:

4 (a) The following pay step differentials are approved as an
5 amendment to the basic salary schedules [SCHEDULE] provided in secs.
6 [SEC.] 10 and 11 of this chapter:

7 Election District	8 Pay Steps Above Basic 9 Salary Schedule
10 1	0
11 2	1
12 3	1
13 4	0
14 5	2
15 6a (excluding Valdez 16 Duty Station)	4
17 6b (Valdez Duty Station)	5
18 7	1
19 8	0
20 9	2
21 10	2
22 11	2
23 12	7
24 13	7
25 14	8
26 15a (excluding Nenana 27 Duty Station)	9
28 15b (Nenana Duty Station)	8
29 16a (south of Arctic Circle)	4
16b (north of Arctic Circle)	9

1	17	9
2	18	7
3	19	8
4	Outside the State	minus 6

* Sec. 4. Since the United States Department of Labor's Consumer Price Index for Anchorage rose 11.13 percentage points during calendar year 1975, the salary schedule in AS 39.27.010, applicable during calendar year 1975 to classified and partially exempt state employees who are not covered by a collective bargaining agreement, shall be adjusted based on the increase of two full percentage points for calendar year 1975, retroactive to July 1, 1975 which is the beginning of the calendar quarter in which the rise exceeded nine per cent.

* Sec. 5. It is the intent of the legislature that the permanent and temporary nonjudicial employees of the judicial branch and the University of Alaska and the permanent employees of the legislative branch receive pay increases and cost-of-living adjustments comparable to those received by the classified and partially exempt employees under this Act.

* Sec. 6. Sections 2 and 5 of this Act are retroactive to January 1, 1976.

* Sec. 7. This Act takes effect immediately in accordance with AS 01.10.070(c).

April 29, 1976

MEMO

TO: Sen. Bill Ray
FROM: Jay Hogan
RE: CSNB 877 am S

Page 6, lines 10 through 12, make the retroactive portion of this pay raise applicable only to those state employees on the payroll as of the effective date of the act. This language would preclude payment to Rich Guthrie for retroactive salary increase. May I suggest two alternatives:

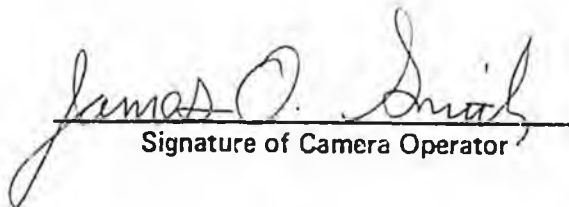
1. Governor introduced the legislation without any such language, assuming that the retroactive pay increase would simply be paid to all employees and former employees who could be located. Commissioner Warwick, in a letter to both you and Representative Malone, cited his reasons in support of this concept.
2. The language could be amended to allow retroactive salary increases for those employees on the state payroll as of the effective date of this act, or who retired during the period covered by the act.

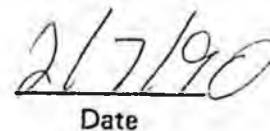


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Signature of Camera Operator


Date

COMMITTEE REPORT

SENATE

4/21/76

Mr. President:

Date 4/22/76

The Committee on Finance has had CSRB 977 am
~~new salary schedule and cost-of-living increase~~
under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- (X) recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

Bill Ray B. Toland

John Buttrick _____
John Siskel _____
Gene Chambers _____

Members NOT concurring in the Majority report:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

Bill Ray Chairman

A M E N D M E N T

Offered in the SENATE

By FINANCE

To: _____ SENATE BILL NO. _____

CS HOUSE BILL NO. S77 am

AMENDMENT: Page 1 Line 28

Under Step C Change 10,200 to 10,200.

Original sponsor: Finance Committee

Offered: 4/19/76
For Today's Calendar

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 CS FOR HOUSE BILL NO. 877

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing a new salary schedule and cost-of-
7 living increase for certain employees of the state not
8 covered by a collective bargaining agreement; and
9 providing for an effective date."

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

11 * Section 1. AS 39.20.080(b) is amended to read:

12 (b) The monthly salary of the deputy head of each principal
13 executive department of the state, upon his appointment is not less than
14 Step A, Range 28, nor shall it exceed Step E, Range 28, of the salary
15 schedule set out in AS 39.27.011 [AS 39.27.010], during the term of his
16 appointment. AS 39.27.022 may not be applied to the salary of a deputy
17 department head in such a way that his salary would equal or exceed that
18 of a department head.

19 * Sec. 2. AS 39.27 is amended by adding a new section to read:

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23 executive branch of the state not covered by a collective bargaining
24 agreement negotiated under the authority of the Public Employment
25 Relations Act:

26 Range	Step	Step	Step	Step	Step	Step
27 No.	A	B	C	D	E	F
28 5	9,600	9,888	10,206	10,512	10,836	11,136
29 6	10,200	10,512	10,836	11,136	11,484	11,844

1	7	10,836	11,136	11,484	11,844	12,216	12,612
2	8	11,484	11,844	12,216	12,612	12,996	13,440
3	9	12,216	12,612	12,996	13,440	13,872	14,280
4	10	12,996	13,440	13,872	14,280	14,772	15,240
5	11	13,872	14,280	14,772	15,240	15,744	16,272
6	12	14,772	15,240	15,744	16,272	16,884	17,508
7	13	15,744	16,272	16,884	17,508	18,156	18,852
8	14	16,884	17,508	18,156	18,852	19,560	20,304
9	15	18,156	18,852	19,560	20,304	21,048	21,852
10	16	19,560	20,304	21,048	21,852	22,668	23,520
11	17	21,048	21,852	22,668	23,520	24,408	25,308
12	18	22,668	23,520	24,408	25,308	26,244	27,252
13	19	24,408	25,308	26,244	27,252	28,272	29,340
14	20	26,244	27,252	28,272	29,340	30,408	31,560
15	21	28,272	29,340	30,408	31,560	32,760	33,972
16	22	30,408	31,560	32,760	33,972	35,256	36,576
17	23	32,760	33,972	35,256	36,576	37,932	39,372
18	24	35,256	36,576	37,932	39,372	40,836	42,372
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20	26	39,372	40,836	42,372	43,968	45,624	47,304
21	27	40,836	42,372	43,968	45,624	47,304	49,092
22	28	42,372	43,968	45,624	47,304	49,092	50,940
23	29	43,968	45,624	47,304	49,092	50,940	52,836
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(b) The salary schedule set out in (a) of this section has no effect upon other provisions of law specifying the salary of the governor, lieutenant governor, legislators, judicial officers as defined in AS 22.20.010, department heads, and members of the Alaska Public Utilities Commission, the Alaska Transportation Commission, the Alaska

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Pipeline Commission, or the Alaska Commercial Fisheries Entry Commission.

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Election District	Pay Steps Above Basic Salary Schedule
1	0
2	1
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5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Nenana Duty Station)	9
15b (Nenana Duty Station)	8
16a (south of Arctic Circle)	4
16b (north of Arctic Circle)	9

1 17 9
2 18 9 [7]
3 19 8
4 Outside the State minus 6

5 * Sec. 4. Since the United States Department of Labor's Consumer Price
6 Index for Anchorage rose 11.13 percentage points during calendar year 1975,
7 the salary schedule in AS 39.27.010, applicable during calendar year 1975 to
8 classified and partially exempt state employees who are not covered by a
9 collective bargaining agreement, shall be adjusted based on the increase of
10 two full percentage points for calendar year 1975, retroactive to July 1,
11 1975 which is the beginning of the calendar quarter in which the rise ex-
12 ceeded nine per cent.

13 * Sec. 5. It is the intent of the legislature that the permanent and
14 temporary nonjudicial employees of the judicial branch and the University of
15 Alaska and the permanent employees of the legislative branch receive pay
16 increases and cost-of-living adjustments comparable to those received by the
17 classified and partially exempt employees under this Act.

18 * Sec. 6. Sections 2 and 5 of this Act are retroactive to January 1,
19 1976.

20 * Sec. 7. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

Original sponsor: Finance Committee

Offered: 4/19/76
For Today's Calendar

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BY THE RULES COMMITTEE

2 CS FOR HOUSE BILL NO. 877

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14 Step A, Range 23, nor shall it exceed Step E, Range 28, of the salary
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25 (b) The salary schedule set out in (a) of this section has no
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5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Nenana Duty Station)	9
15b (Nenana Duty Station)	8
16a (south of Arctic Circle)	4
16b (north of Arctic Circle)	9

1 17 9
2 18 9 [7]
3 19 8
4 Outside the State minus 6

5 * Sec. 4. Since the United States Department of Labor's Consumer Price
6 Index for Anchorage rose 11.13 percentage points during calendar year 1975,
7 the salary schedule in AS 39.27.010, applicable during calendar year 1975 to
8 classified and partially exempt state employees who are not covered by a
9 collective bargaining agreement, shall be adjusted based on the increase of
10 two full percentage points for calendar year 1975, retroactive to July 1,
11 1975 which is the beginning of the calendar quarter in which the rise ex-
12 ceeded nine per cent.

13 * Sec. 5. It is the intent of the legislature that the permanent and
14 temporary nonjudicial employees of the judicial branch and the University of
15 Alaska and the permanent employees of the legislative branch receive pay
16 increases and cost-of-living adjustments comparable to those received by the
17 classified and partially exempt employees under this Act.

18 * Sec. 6. Sections 2 and 5 of this Act are retroactive to January 1,
19 1976.

20 * Sec. 7. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

Original sponsor: Finance Committee

Offered: 4/19/76
For Today's Calendar

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 CS FOR HOUSE BILL NO. 877

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing a new salary schedule and cost-of-
7 living increase for certain employees of the state not
8 covered by a collective bargaining agreement; and
9 providing for an effective date."

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

11 * Section 1. AS 39.20.080(b) is amended to read:

12 (b) The monthly salary of the deputy head of each principal
13 executive department of the state, upon his appointment is not less than
14 Step A, Range 28, nor shall it exceed Step E, Range 28, of the salary
15 schedule set out in AS 39.27.011 [AS 39.27.010], during the term of his
16 appointment. AS 39.27.022 may not be applied to the salary of a deputy
17 department head in such a way that his salary would equal or exceed that
18 of a department head.

19 * Sec. 2. AS 39.27 is amended by adding a new section to read:

20 Sec. 39.27.011. SALARY SCHEDULE. (a) Notwithstanding sec. 10 of
21 this chapter, the following annual basic salary schedule is approved as
22 the pay plan for classified and partially exempt employees in the
23 executive branch of the state not covered by a collective bargaining
24 agreement negotiated under the authority of the Public Employment
25 Relations Act:

26 Range	Step	Step	Step	Step	Step	Step
27 No.	A	B	C	D	E	F
28 5	9,600	9,888	10,206	10,512	10,836	11,136
29 6	10,200	10,512	10,836	11,136	11,484	11,844

1	7	10,836	11,136	11,484	11,844	12,216	12,612
2	8	11,484	11,844	12,216	12,612	12,996	13,440
3	9	12,216	12,612	12,996	13,440	13,872	14,280
4	10	12,996	13,440	13,872	14,280	14,772	15,240
5	11	13,872	14,280	14,772	15,240	15,744	16,272
6	12	14,772	15,240	15,744	16,272	16,884	17,508
7	13	15,744	16,272	16,884	17,508	18,156	18,852
8	14	16,884	17,508	18,156	18,852	19,560	20,304
9	15	18,156	18,852	19,560	20,304	21,048	21,852
10	16	19,560	20,304	21,048	21,852	22,668	23,520
11	17	21,048	21,852	22,668	23,520	24,408	25,308
12	18	22,668	23,520	24,408	25,308	26,244	27,252
13	19	24,408	25,308	26,244	27,252	28,272	29,340
14	20	26,244	27,252	28,272	29,340	30,408	31,560
15	21	28,272	29,340	30,408	31,560	32,760	33,972
16	22	30,408	31,560	32,760	33,972	35,256	36,576
17	23	32,760	33,972	35,256	36,576	37,932	39,372
18	24	35,256	36,576	37,932	39,372	40,836	42,372
19	25	37,932	39,372	40,836	42,372	43,968	45,624
20	26	39,372	40,836	42,372	43,968	45,624	47,304
21	27	40,836	42,372	43,968	45,624	47,304	49,092
22	28	42,372	43,968	45,624	47,304	49,092	50,940
23	29	43,968	45,624	47,304	49,092	50,940	52,836
24	30	45,624	47,304	49,092	50,940	52,836	54,828

(b) The salary schedule set out in (a) of this section has no effect upon other provisions of law specifying the salary of the governor, lieutenant governor, legislators, judicial officers as defined in AS 22.20.010, department heads, and members of the Alaska Public Utilities Commission, the Alaska Transportation Commission, the Alaska

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Pipeline Commission, or the Alaska Commercial Fisheries Entry Commission.

* Sec. 3. AS 39.27.020(a) is amended to read:

(a) The following pay step differentials are approved as an amendment to the basic salary schedules [SCHEDULE] provided in secs. [SEC.] 10 and 11 of this chapter:

Election District	Pay Steps Above Basic Salary Schedule
1	0
2	1
3	1
4	0
5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Nenana Duty Station)	9
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2 18 7
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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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9 providing for an effective date."

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11 * Section 1. AS 39.20.080(b) is amended to read:

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13 executive department of the state, upon his appointment is not less than
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24 agreement negotiated under the authority of the Public Employment
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26 Range	Step	Step	Step	Step	Step	Step
27 No.	A	B	C	D	E	F
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1	0
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4	0
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6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Nenana Duty Station)	9
15b (Nenana Duty Station)	8
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Original sponsor: Finance Committee

Offered: 4/19/76
For Today's Calendar

1 IN THE HOUSE

BY THE RULES COMMITTEE

2

CS FOR HOUSE BILL NO. 877

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act providing a new salary schedule and cost-of-

7

living increase for certain employees of the state not

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covered by a collective bargaining agreement; and

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providing for an effective date."

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

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* Section 1. AS 39.20.080(b) is amended to read:

12

(b) The monthly salary of the deputy head of each principal

13

executive department of the state, upon his appointment is not less than

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Step A, Range 28, nor shall it exceed Step E, Range 28, of the salary

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* Sec. 2. AS 39.27 is amended by adding a new section to read:

20

Sec. 39.27.011. SALARY SCHEDULE. (a) Notwithstanding sec. 10 of

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23

executive branch of the state not covered by a collective bargaining

24

agreement negotiated under the authority of the Public Employment

25

Relations Act:

26

Range	Step	Step	Step	Step	Step	Step
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No.	A	B	C	D	E	F
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5	9,600	9,888	10,206	10,512	10,836	11,136
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6	10,200	10,512	10,836	11,136	11,484	11,844
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1	7	10,836	11,136	11,484	11,844	12,216	12,612
2	8	11,484	11,844	12,216	12,612	12,996	13,440
3	9	12,216	12,612	12,996	13,440	13,872	14,280
4	10	12,996	13,440	13,872	14,280	14,772	15,240
5	11	13,872	14,280	14,772	15,240	15,744	16,272
6	12	14,772	15,240	15,744	16,272	16,884	17,508
7	13	15,744	16,272	16,884	17,508	18,156	18,852
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12	18	22,668	23,520	24,408	25,308	26,244	27,252
13	19	24,408	25,308	26,244	27,252	28,272	29,340
14	20	26,244	27,252	28,272	29,340	30,408	31,560
15	21	28,272	29,340	30,408	31,560	32,760	33,972
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1	0
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4	0
5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Nenana Duty Station)	9
15b (Nenana Duty Station)	8
16a (south of Arctic Circle)	4
16b (north of Arctic Circle)	9

1	17	9
2	18	7
3	19	8
4	Outside the State	minus 6

5 * Sec. 4. Since the United States Department of Labor's Consumer Price
6 Index for Anchorage rose 11.13 percentage points during calendar year 1975,
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Introduced: 3/19/76
Referred: Rules

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2 HOUSE BILL NO. 877

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5 A BILL

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Range	Step	Step	Step	Step	Step	Step
No.	A	B	C	D	E	F
5	--	--	--	--	--	11,136
6	--	--	--	11,136	11,484	11,844

1	7	--	11,136	11,484	11,844	12,216	12,612
2	8	11,484	11,844	12,216	12,612	12,996	13,440
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7 Election District	8 Pay Steps Above Basic
	9 Salary Schedule
10 1	0
11 2	1
12 3	1
13 4	0
14 5	2
15 6a (excluding Valdez	4
16 Duty Station)	
17 6b (Valdez Duty Station)	5
18 7	1
19 8	0
20 9	2
21 10	2
22 11	2
23 12	7
24 13	7
25 14	8
26 15a (excluding Nenana	9
27 Duty Station)	
28 15b (Nenana Duty Station)	8
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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 39.20.080(b) is amended to read:

12 (b) The monthly salary of the deputy head of each principal
13 executive department of the state, upon his appointment is not less than
14 Step A, Range 28, nor shall it exceed Step E, Range 28, of the salary
15 schedule set out in AS 39.27.011 [AS 39.27.010], during the term of his
16 appointment. AS 39.27.022 may not be applied to the salary of a deputy
17 department head in such a way that his salary would equal or exceed that
18 of a department head.

19 * Sec. 2. AS 39.27 is amended by adding a new section to read:

20 Sec. 39.27.011. SALARY SCHEDULE. (a) Notwithstanding sec. 10 of
21 this chapter, the following annual basic salary schedule is approved as
22 the pay plan for classified and partially exempt employees in the
23 executive branch of the state not covered by a collective bargaining
24 agreement negotiated under the authority of the Public Employment
25 Relations Act:

Range	Step	Step	Step	Step	Step	Step
No.	A	B	C	D	E	F
5	--	--	--	--	--	11,136
6	--	--	--	11,136	11,484	11,844

1	7	--	11,136	11,484	11,844	12,216	12,612
2	8	11,484	11,844	12,216	12,612	12,996	13,440
3	9	12,216	12,612	12,996	13,440	13,872	14,280
4	10	12,996	13,440	13,872	14,280	14,772	15,240
5	11	13,872	14,280	14,772	15,240	15,744	16,272
6	12	14,772	15,240	15,744	16,272	16,884	17,508
7	13	15,744	16,272	16,884	17,508	18,156	18,852
8	14	16,884	17,508	18,156	18,852	19,560	20,304
9	15	18,156	18,852	19,560	20,304	21,048	21,852
10	16	19,560	20,304	21,048	21,852	22,668	23,520
11	17	21,048	21,852	22,668	23,520	24,408	25,308
12	18	22,668	23,520	24,408	25,308	26,244	27,252
13	19	24,408	25,308	26,244	27,252	28,272	29,340
14	20	26,244	27,252	28,272	29,340	30,408	31,560
15	21	28,272	29,340	30,408	31,560	32,760	33,972
16	22	30,408	31,560	32,760	33,972	35,256	36,576
17	23	32,760	33,972	35,256	36,576	37,932	39,372
18	24	35,256	36,576	37,932	39,372	40,836	42,372
19	25	37,932	39,372	40,836	42,372	43,968	45,624
20	26	39,372	40,836	42,372	43,968	45,624	47,304
21	27	40,836	42,372	43,968	45,624	47,304	49,092
22	28	42,372	43,968	45,624	47,304	49,092	50,940
23	29	43,968	45,624	47,304	49,092	50,940	52,836
24	30	45,624	47,304	49,092	50,940	52,836	54,828

(b) The salary schedule set out in (a) of this section has no effect upon other provisions of law specifying the salary of the governor, lieutenant governor, legislators, judicial officers as defined in AS 22.20.010, department heads, and members of the Alaska Public Utilities Commission, the Alaska Transportation Commission, the Alaska

1 Pipeline Commission, or the Alaska Commercial Fisheries Entry Commis-
2 sion.

3 * Sec. 3. AS 39.27.020(a) is amended to read:

4 (a) The following pay step differentials are approved as an
5 amendment to the basic salary schedules [SCHEDULE] provided in secs.
6 [SEC.] 10 and 11 of this chapter:

Election District	Pay Steps Above Basic Salary Schedule
1	0
2	1
3	1
4	0
5	2
6a (excluding Valdez Duty Station)	4
6b (Valdez Duty Station)	5
7	1
8	0
9	2
10	2
11	2
12	7
13	7
14	8
15a (excluding Nenana Duty Station)	9
15b (Nenana Duty Station)	8
16a (south of Arctic Circle)	4
16b (north of Arctic Circle)	9

1 17 9
2 18 7
3 19 8
4 Outside the State minus 6

5 * Sec. 4. Since the United States Department of Labor's Consumer Price
6 Index for Anchorage rose 11.13 percentage points during calendar year 1975,
7 the salary schedule in AS 39.27.010, applicable during calendar year 1975 to
8 classified and partially exempt state employees who are not covered by a
9 collective bargaining agreement, shall be adjusted based on the increase of
10 two full percentage points for calendar year 1975, retroactive to July 1,
11 1975 which is the beginning of the calendar quarter in which the rise ex-
12 ceeded nine per cent.

13 * Sec. 5. It is the intent of the legislature that the permanent and
14 temporary nonjudicial employees of the judicial branch and the University of
15 Alaska and the permanent employees of the legislative branch receive pay
16 increases and cost-of-living adjustments comparable to those received by the
17 classified and partially exempt employees under this Act.

18 * Sec. 6. Sections 2 and 5 of this Act are retroactive to January 1,
19 1976.

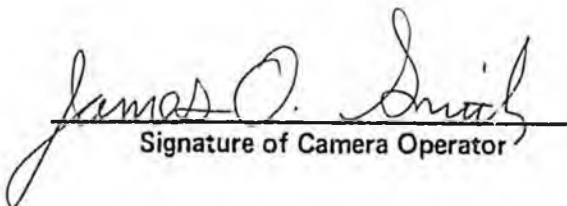
20 * Sec. 7. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

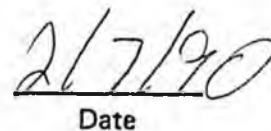


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MINERAL TAXATION - ALASKA

A Report of Studies Conducted
by the
Alaska Taxation Committee
Northwest Mining Association

December 1975

11:35a

5/7

Jim -

this was dropped
off for you -

Pg 28 shows what
you wanted but

"they conveniently left
out Calif. which has a
higher tax than even Alaska."

Phil R. Holdsworth
1009 MENDENHALL APTS.
JUNEAU, ALASKA 99801

MINERAL TAXATION - ALASKA

A Report of Studies Conducted

By The

Alaska Taxation Committee

Northwest Mining Association

SPOKANE, WASHINGTON
December 1, 1975

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1. SUMMARY

1.1 The Argument

Some basic information on the mining industry is presented which shows that the developed reserves of most minerals in the U. S. are grossly inadequate to meet demands over the next 25 years. This demand must be supplied by often tenuous imports. Increases in domestic production are possible but are hampered by the greater than 1,000 to 1 chance of new discoveries, the 10 to 20 year lead time between discovery and production, and the rapidly dwindling capital base from which to draw the needed \$150 billion mineral investment funds. Superimposed on these factors is a history of taxation which is both higher and more changeable than for almost all other major industries.

It is shown here that the mining industry can have a major, and favorable economic impact on a state by producing jobs and tax revenue, in addition to the profits which are needed to continue exploration for, and development of new mines to meet the nation's needs. The total impact of a mining operation, including the jobs and the business or tax revenues generated by support and secondary industries, is three times larger than that of the mining operation alone.

Alaska was built on its mineral industry. It does not now, but could soon have a strong, viable mineral industry -- the base is there in the numerous mineral deposits which compare favorably in tonnage and grade with major producing mines

throughout North America. Coal, copper, and nickel will be prominent in the near future. The industry is showing confidence in Alaska and its potential by spending as much as \$35 million a year in the exploration for hard minerals.

U. S. Bureau of Mines models of Alaskan deposits have been analyzed to test the impact of the current and proposed tax legislation, with some impressive conclusions. The existing Mining License Tax, when taken together with the State corporate income tax, allows the State to collect amounts equal to about 35% of net income. Substitution of a severance tax could raise this share to well over 100%, and in some cases, to over 500%. It is clear that existing tax laws do allow the State to benefit from mineral production, especially when multiplier effects are considered. Mining can pay its way without additional taxation.

A severance tax, applied on the basis of gross values, would be a fixed charge against production and have little or no relationship to profitability. It would be paid even when there was no profit. The effects of this are to require mining of higher grade ore, to exaggerate the negative aspects of the low parts of business cycles, and to act as a real disincentive for exploration.

The existing Mining License Tax has the potential of producing a significant revenue for the State of Alaska. Although it is an additional, special tax on the mining industry, it does include provisions for a 3½-year tax exemption in recognition of the high cost of new mines, and it recognizes the need for capital generation through a depletion allowance. It may benefit from revision of language, but by being based on net income, it is collected only when there are profits, and clearly shares in these.

Preservation of the Mining License Tax would demonstrate the stability of Alaskan tax legislation. Where long lead times are involved for exploration and development, it is essential that businessmen have confidence that the rules will not be changed as soon as value or profits are generated. It may be 10 to 20 years before a discovery becomes a mine, but without the promise of stability and an honest profit in the future, no exploration money will be spent in Alaska and no discoveries made.

It is recognized that the State of Alaska is entitled to collect taxes from its corporate and private citizens, for services it provides. But there is more to gaining revenue than just adding on more tax to the bills of a few industries. Certainly more sources of revenue could mean more total revenue. Perhaps less special taxation could produce more general tax revenue. With Alaska mineral taxation one of the highest in the nation and mineral production one of the lowest, the state needs to legislate incentives. This may be achieved both by revision of existing tax legislation and by presenting other types of incentives for the development of a broadly-based mineral industry.

This study indicates that by providing the climate for a healthy mining industry through incentives, rather than disincentives, higher general tax revenues would be realized. Alaska will share in its hard mineral wealth, but will do so only when there is a viable, profitable mining industry. Remember, a mineral deposit has no value at all until it is discovered and mined at a profit.

1.2 The Results

Hearings and several discussion periods involving Department of Revenue personnel and industry people were attended in Anchorage on November 6 and 7. Commissioner Sterling Gallagher presided, and he was assisted by Gary L. Jenkins, Director - Audit Division, and Fred Boetsch, Deputy Commissioner. Twenty-five formal presentations were made by mining industry, Native Corporation, and service industry spokesmen. Over 60 people attended.

Significant points made by various spokesmen on the part of the industry were:

A severance tax as a fixed cost would be anti-conservation and a strong disincentive.

Additional taxes would decrease both exploration and development, and result in reduced tax revenues.

Both revenue and jobs are being lost because of the threat of S. B. 294.

Present taxes already burden the high-cost operations necessary in Alaska.

Incentives such as lower taxes would increase exploration and development, and increase tax revenue.

Alaska should strive for stability in taxation and provide a favorable climate for investigation of all types.

The problems of industry are such that capital and profits may not be available for needed expansion, unless strong incentives appear.

Mining operations usually pay their way by providing most of the infrastructure as well as paying taxes.

The State made these points:

The present Mining License Tax is so worded that no tax might ever be paid even if the mining industry was viable.

Fishing, timber, and oil all have a severance tax.

The State spends about \$3,200 per year for each person on a payroll in the state.

The State is interested in broadening its tax base.

Discussions were amiable and productive, with information flowing freely in both directions. This was facilitated by the State's acknowledgement that S. B. 294 was not good and would not be pursued. An apparent industry and State consensus developed on these points;

S. B. 294 should be withdrawn.

Incentives should be discussed, but may not be attainable at this time.

The Mining License Tax should be improved to allow definition of who should be taxed and what is allowable for deductions.

The 3½-year tax holiday and allowance for deduction of depletion should remain a part of the Mining License Tax.

Revision of the Mining License Tax should be pursued in the legislature, but only to tidy up language, and a parallel statement of friendliness toward industry and a policy of economic (tax) stability should be made.

In the next month, the Department of Revenue (Mr. Fred Boetsch, Mining Tax Policy, Pouch S, Juneau, Alaska 99811) will be redrafting the Mining License Tax. We are urged to comment on this as soon as possible. Particular items scheduled for definition are the tax-free period, how to describe the deposit to which it applies, the beginning of production, the range of minerals covered by depletion, the people and companies to which a mining license applies, the items which can be deducted in computing "net income", and whether or not operating losses can be carried forward (the State does not presently allow this).

It would be advantageous for all of us to forward to the state our views and recommendations on the language and principles involved in revising the Mining License Tax. The State would like us to do this. They have agreed to then circulate a draft in early December for further comment before any final legislation is drawn up. The State intends to introduce a revised law in January.

Your prompt action, individually and through the Alaska Miner's Association and the Northwest Mining Association, has been effective in helping the State of Alaska avoid the pitfalls of harmful tax legislation. Your continued interest and prompt attention will insure the mining industry's point of view is considered in revising the existing law.

2. INTRODUCTION

Senate Bill 294 was introduced into the Alaskan Legislature in early 1975. It called for a 5% severance tax on hard minerals and this stimulated strong comment by the mining industry. During the summer, Governor Hammond expressed interest in discussing with the mining industry "...how we (the State) can accomplish our objective of seeing the Alaskans share in the mineral development of the State without discouraging investment or destroying the industry." Senate Bill 294 has been tabled, and hearings to discuss mining taxation were announced by the Department of Revenue. These hearings were held on November 6 and 7 in Anchorage at which time preliminary copies of this report and a verbal statement along the lines of the summary were presented to the Department of Revenue.

The Northwest Mining Association and its members felt that the taxation policies of the State of Alaska were a matter of their concern, and began studies of the problem and possible solutions. This report is an effort to transmit the results of the Northwest Mining Association's studies to its membership, to the Department of Revenue, State of Alaska, to the members of the Alaskan Legislature, to the Alaskan business communities, or anyone else concerned enough to take part in the formulation of just and fair tax legislation in the State of Alaska.

Some revisions and additions have been made to the preliminary report dated November 1, 1975 and are incorporated herein. It is hoped that additional

data will be gathered and provided to concerned parties as the legislation is formulated. The Northwest Mining Association feels that it can serve the industry, the State of Alaska, the people of the region and its membership best by providing a factual basis for discussion on taxation:

The Northwest Mining Association wishes to acknowledge the efforts of its Alaska Taxation Committee listed below and the numerous concerned individuals and corporations who have contributed to this study and report.

Russell C. Babcock, Jr., Chairman

G. G. Booth

P. P. De William

E. D. Fields

John B. Hite

H. A. Sichermann

E. D. Smith

Jackie Stephens

R. R. Walters

We would like to acknowledge the many contributions of the Alaska Miner's Association and its members who have supported these efforts with facts, encouragement and discussions. Particular acknowledgement is given to C. C. Hawley, Chairman of the Anchorage Branch, who organized the hearings with the Department of Revenue, and Jeff Knaebel of the Fairbanks Branch, who provided stimulus for this report through his outspoken defense of the mining industry in Alaska.

Correspondence on the substance of this report and on the topics
involved, either critical or constructive, should be addressed to:

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Box 78D, Star Route A
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3. GENERAL BACKGROUND

3.1 Mineral Supply

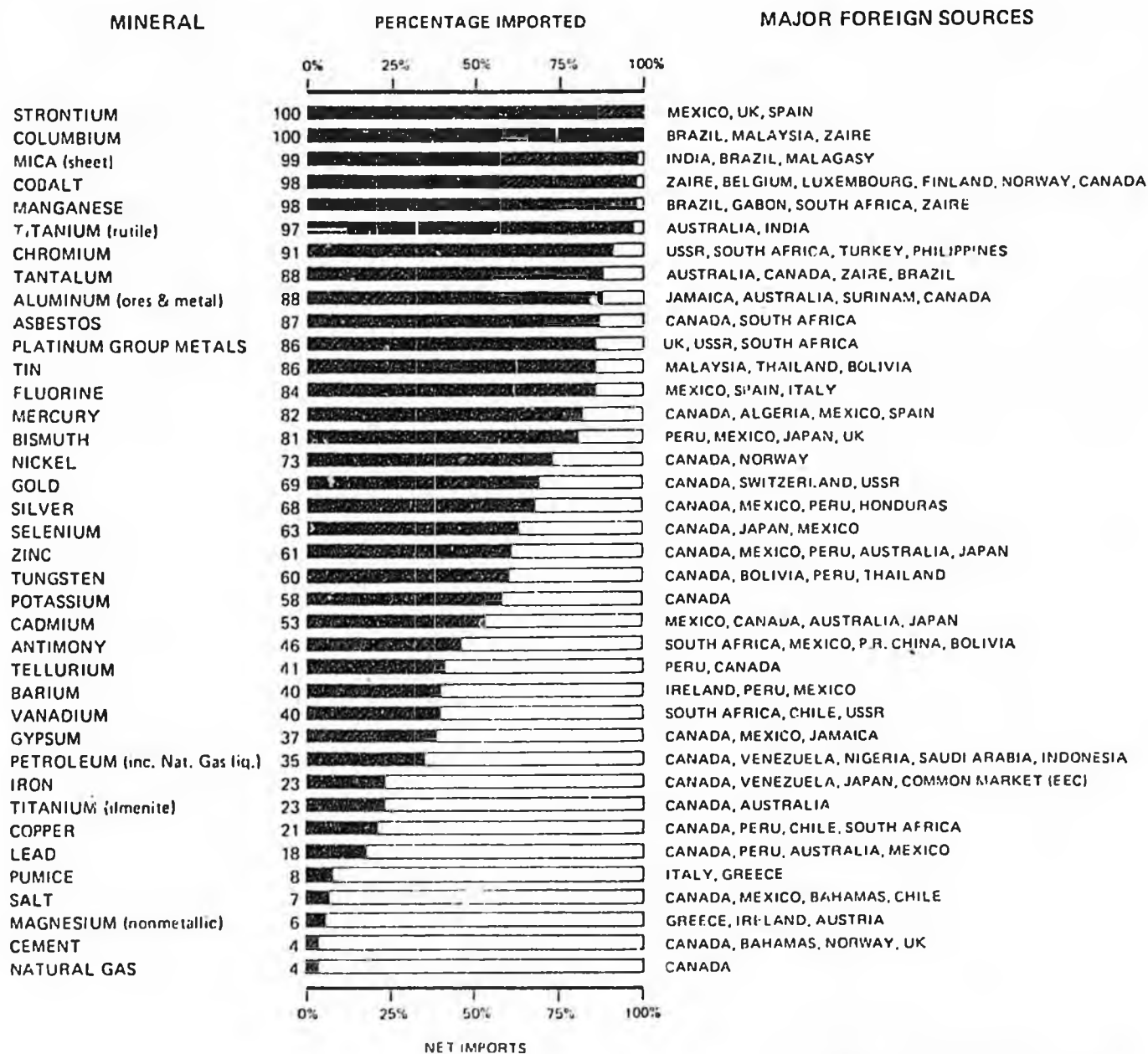
The entire U. S. economy depends on an adequate supply of minerals. For example, in 1972, some \$32 billion worth of raw materials were converted into energy and processed materials worth a value of \$150 billion, a significant part of a GNP of \$1.1 trillion. Each person in the U. S. now uses about 40,000 pounds of mineral materials every year, a total use of over 4 billion tons a year (36).

Your share looks like this:

- 9,000 pounds of sand and gravel
- 8,500 pounds of stone
- 450 pounds of salt
- 1,200 pounds of iron and steel
- 50 pounds of aluminum
- 25 pounds of copper
- 15 pounds of zinc
- 15 pounds of lead
- 7,800 pounds of petroleum
- 5,000 pounds of coal
- 5,000 pounds of natural gas
- 1/20 pounds of uranium

Almost one-half of the basic raw materials needed by our economy in 1974 had to be imported in significant amounts (19). This dependency on imports is graphically illustrated on Figure 3-1. If the present trend continues, most metals except for phosphate and molybdenum will be included on the import list by the year 2000.

IMPORTS SUPPLIED SIGNIFICANT PERCENTAGE
OF TOTAL U.S. DEMAND IN 1974



U. S. BUREAU OF MINES (import-export data
from U. S. Bureau of the Census)

Skilling's Mining Review
October 18, 1975

Figure 3-1

Most of the imported raw materials are available in the U. S. in commercial quantities, but presently they are more conveniently accessible and less expensive outside the U.S. However, this situation may change significantly -- outside the U.S. consumption is expected to triple by the year 2000 and exporting nations, being more and more aware of their growing importance, are moving to exploit this new-found strength by forming cartel-type arrangements for copper, tin, and bauxite. The economic impact of such cartels has been clearly demonstrated by the success of OPEC, the Arab's Oil Cartel.

To reduce this growing dependence on imports, exploration and development for new resources should be initiated immediately to offset or balance the following negative factors:

1. The low chance for success in finding new mines or mining districts.
2. The long lead time required to develop a new mine or mining district.
3. The high capital investment necessary to develop a new mine or mining district.

3.2 Chances For and Cost of Success

Out of 1,000 Cominco, Ltd. projects worthy of separate budgets from 1927 to 1969, 78 required programs in excess of \$100,000; 18 were brought into production, and only 7 out of the original 1,000 became profitable mines (22, 39). Other sources indicate that from 1,000 to 3,000 prospects must be examined and millions

of dollars spent in order to find one deposit which will eventually be a mine. When such a deposit is found, large amounts of time and money are still needed. Some of the steps necessary to carry a deposit from initial exploration through mining are shown on Figure 3-2. The orders of magnitude of both time and cost for these steps can be seen in the following examples.

International Nickel spent ten years (1946 to 1956) and \$10 million before the Thompson, Manitoba deposit was found. Development costs amounted to another \$15 million and total capital expenditures were \$140 million before the property was brought into production in 1962 (42).

The White Pine Mine in Michigan was discovered in 1929, but remained subeconomic until 1955, when production started after an initial investment of \$61.7 million (41).

The Henderson molybdenum deposit in Colorado has so far required eight years of development work at an estimated cost of almost \$400 million (15). This mine is not yet in production, and additional time and money may be needed.

A recent study of new mines in Canada reports an average exploration to production time of from 12 to 14 years for a single economic discovery, with an average expenditure of \$18 to \$21 million (30).

3.3 Grade and Cost Structure

At a time when long-term copper consumption trends are increasing, the average recoverable grade in U. S. open-pit mines continued to decline,

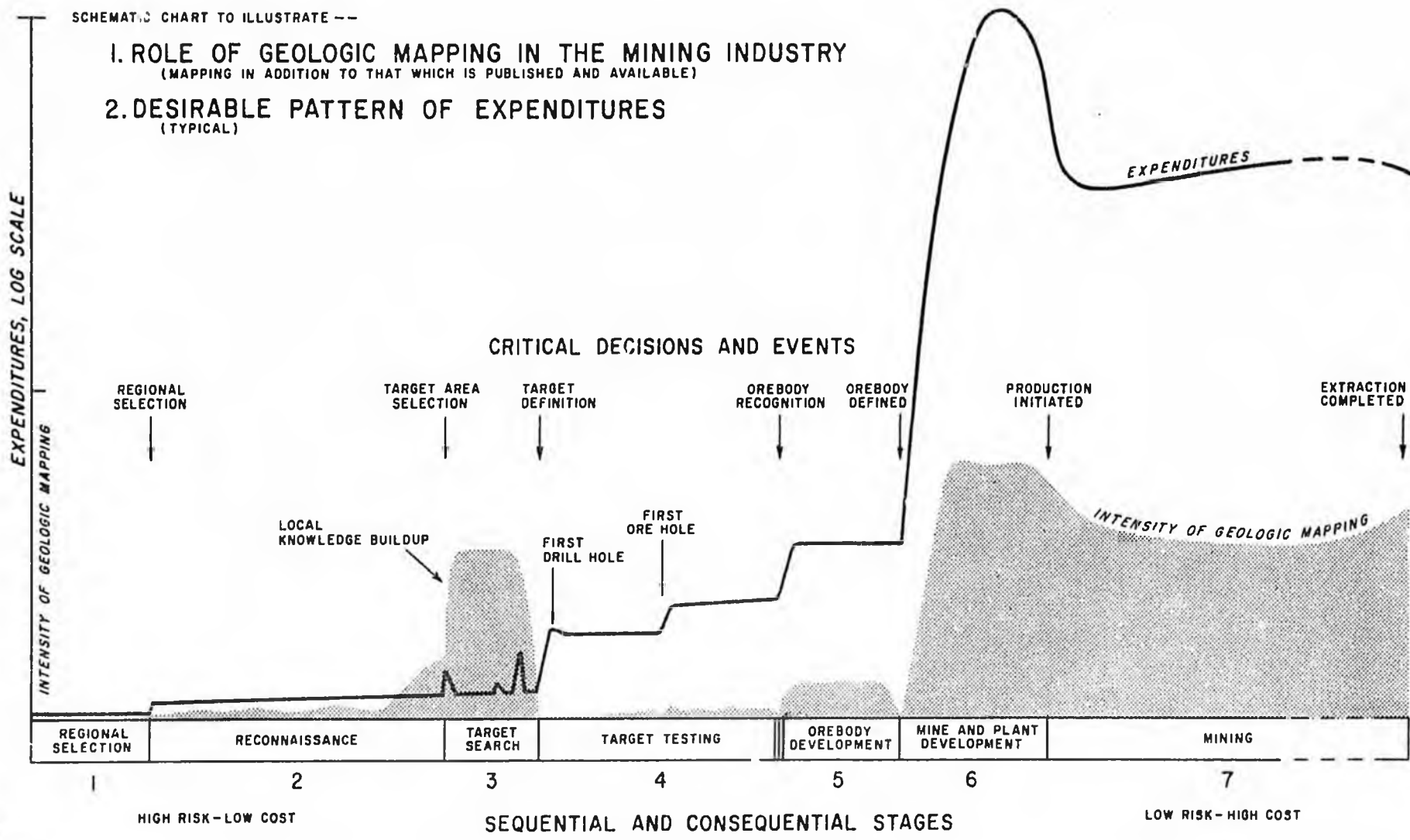
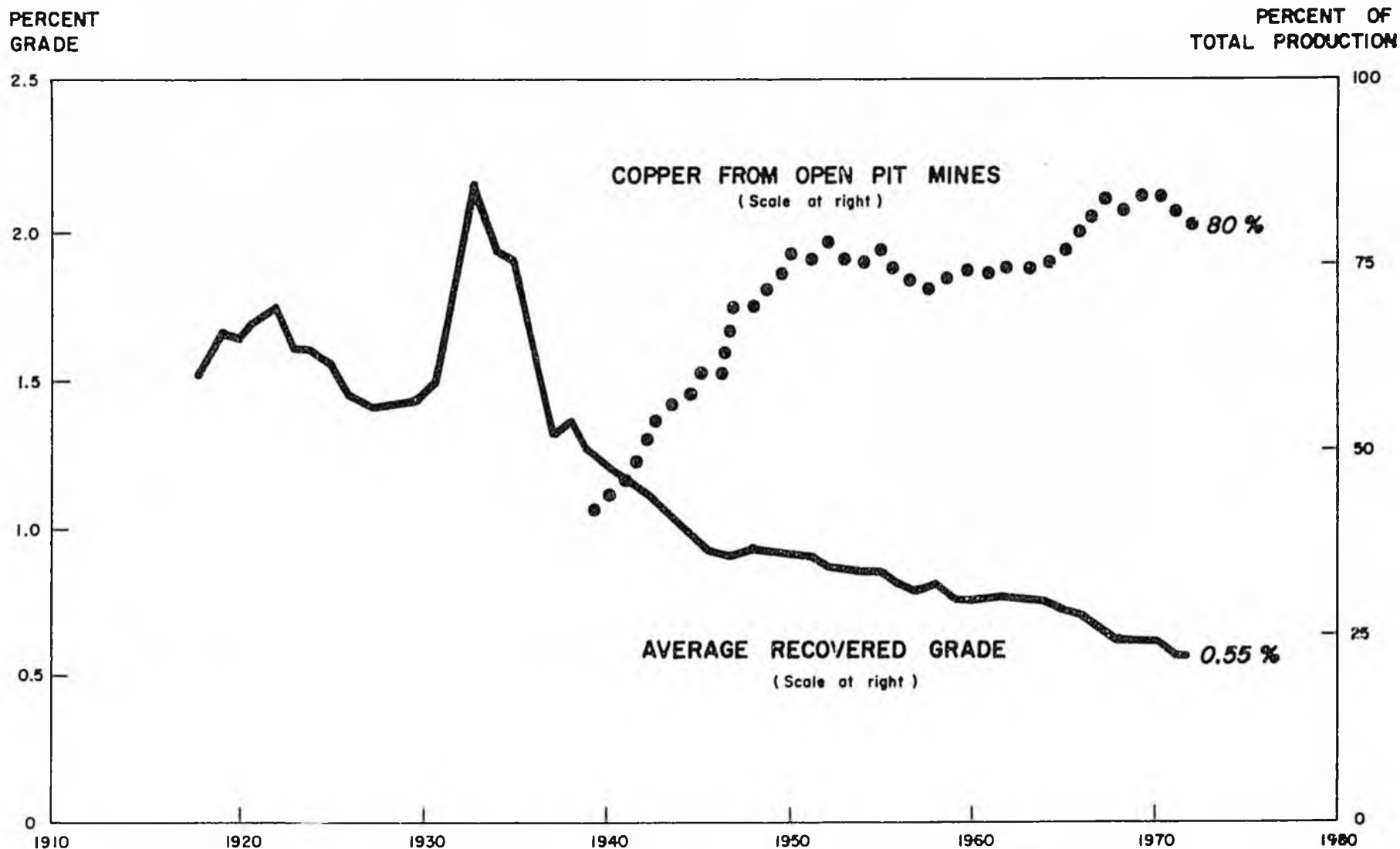


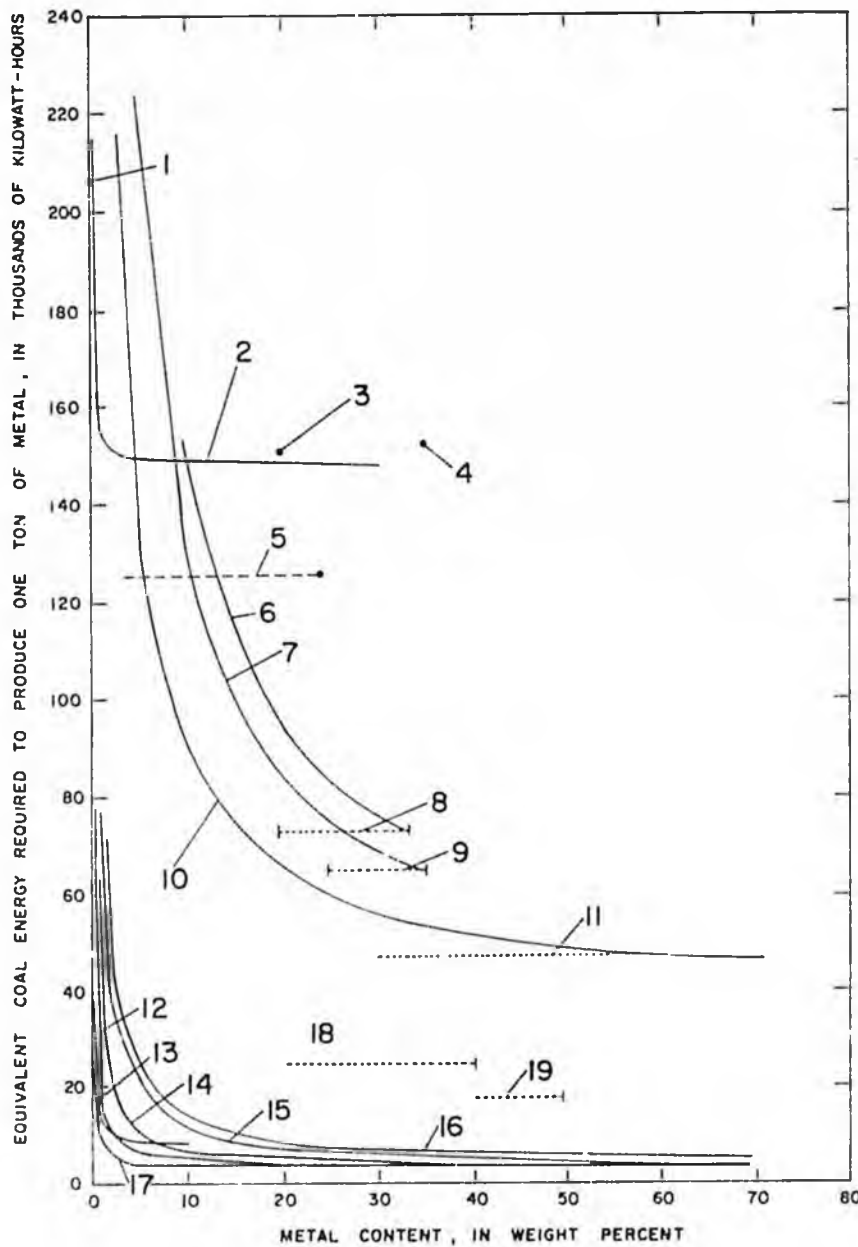
Figure 3-2
(33)

as shown in Figure 3-3. For other sections of the industry and other commodities the picture is the same. Contrary to this trend, production costs per unit of commodity throughout the industry are increasing dramatically due to a combination of inflation pressures, energy costs, and government imposed regulations. For instance, treatment of ore is an energy-intensive process, with the lower grade ores requiring more energy per recovered unit, as shown on Figure 3-4 (14). In addition, capital costs are increasing for mining as they are for all industry. The capital costs for several recent large copper mines are shown on Figure 3-5, and there is every indication that costs per daily ton of mill capacity, the standard measure of capital costs in the industry, are still increasing. The impact of increasing energy prices is obvious. A few specific problems of the mining industry will be covered in Section 4.



DATA: U.S. Bureau of Mines
 REFERENCE: Joklik, G. F., Skilling Mining Review, October 11, 1975 (24)

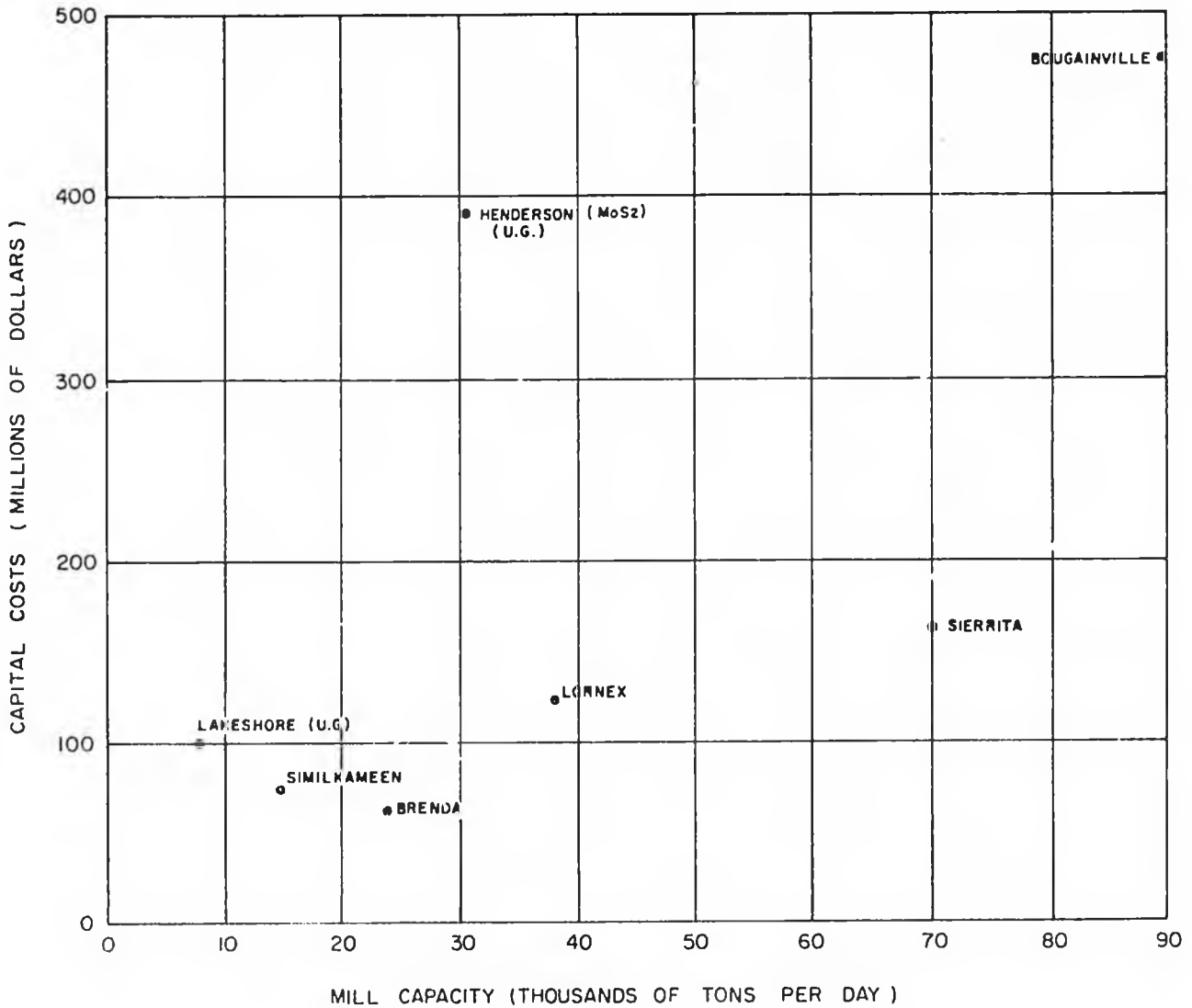
Recovered grade of U.S. copper ore and relative production from open pit mines.



Energy requirements for recovery of Fe, Ti, and Al at different grades from various sources. 1 titanium in soils; 2 titanium in beach sands rich in ilmenite; 3 titanium in all rock; 4 titanium in ferruginous rocks; 5 titanium in beach sands rich in rutile; 6 aluminium in anorthosite; 7 aluminium in clays; 8 range of Al_2O_3 content; 9 range of Al_2O_3 content of clays; 10 aluminium in bauxite (from Al_2O_3); 11 range of Al_2O_3 content of U.S. bauxite resources; 12 iron in magnetic taconite; 13 copper in sulphides; 14 iron in non-magnetic taconite; 15 iron in specular hematite; 16 iron in laterites; 17 iron in hematite; 18 range of iron content of taconites; 19 range of iron content of laterites.

Energy requirements for mining various ore grades.

Reproduced from : Mining Magazine — Aug. 1975 (14)



CAPITAL COST of several open pit copper mines and an underground (U.G.) mine project related to mill capacity.

Reproduced from : WORLD MINING - Aug. 1972 (25)

4. CURRENT PROBLEMS IN THE MINING INDUSTRY

4.1 A Complex Industry

The mining industry represents a complex business in which the most important aspects are influenced by external factors over which little or no control can be exercised. It operates in very competitive world-wide markets in which individual operators have no control over prices. It is subject to costs which may increase significantly more than commodity prices during the planned life of an operation, making acceptable return on investments after payout of capital hard to achieve. Fluctuations typical in the industry are shown for copper on Figure 4-1; other commodities show similar drastic changes in profits and prices. Governments often institute regulations and taxes which seriously inhibit reasonable profits, and which certainly decrease the industry's ability to replace mined reserves. Several problems now chronic to the industry are discussed in the following paragraphs.

4.2 Mineral Shortages

Shortages of mineral resources are being forecast right and left in popular and trade journals, and a public recently bitten by an oil shortage is willing to accept that such shortages may occur. As the world's leading industrial nation, the U. S. is the leading consumer of most resources. In 1975, a total usage of minerals in the U. S. exceeded 4 billion tons, or nearly 40,000 pounds per person

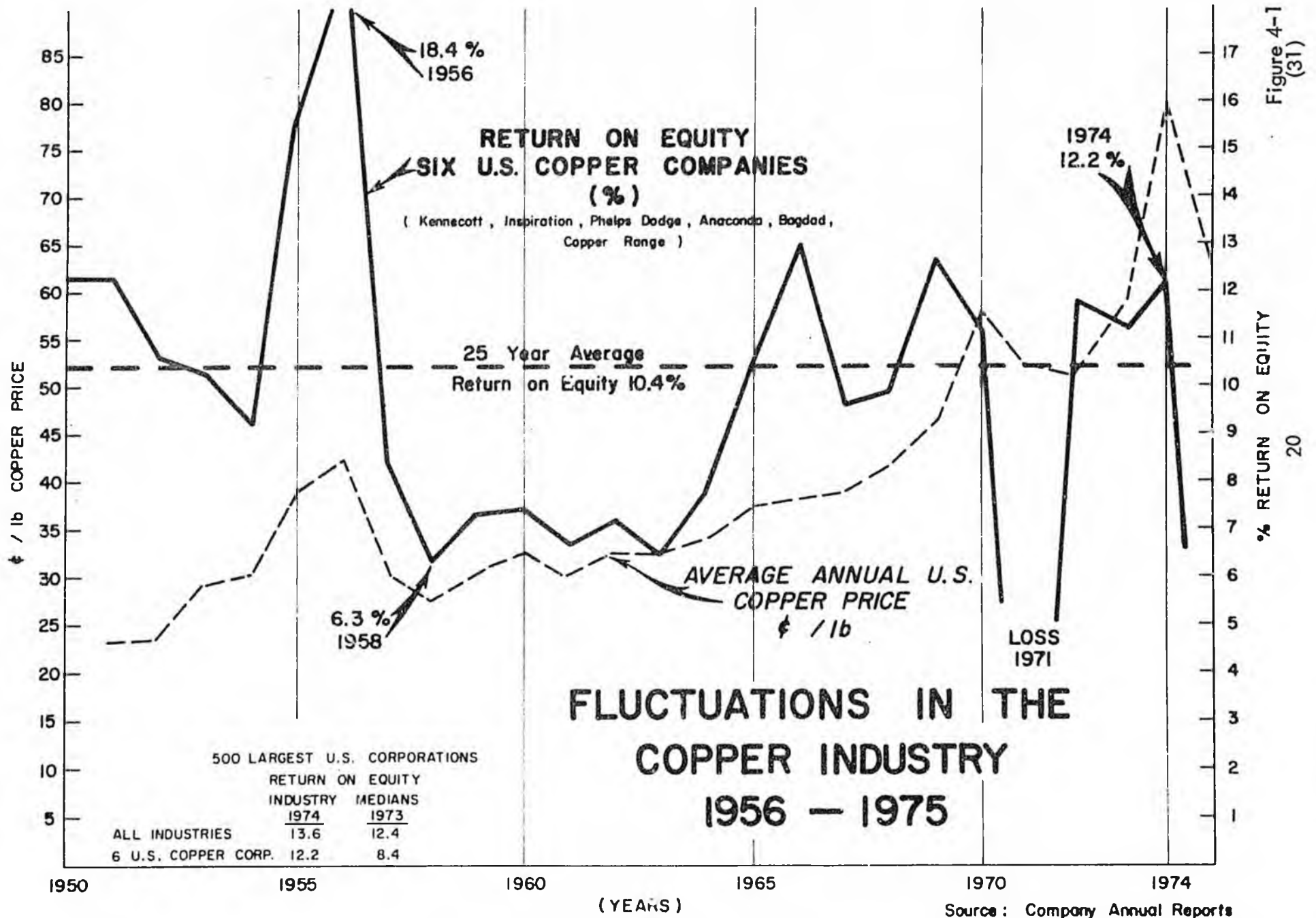


Figure 4-1
(31)

% RETURN ON EQUITY
20

Source : Company Annual Reports
E / M J

as we have seen in Section 3. This constituted 23% of the world's annual consumption of non-fuel minerals and in excess of 30% of its energy. The U. S. is dependent for much of these resources in many categories on foreign sources, and is vulnerable to the rapidly accelerating trend toward commodity cartels by groups of foreign nations.

The size of ore deposits is usually governed by economics. Mining works its way out to economic limits, beyond which continued mining would produce low or negative profits. Changes in commodity, price, costs, and technology (our ability to recover the commodity of value at a lower price) move the economic limits with time, in either direction. Economics change through more effective exploration, development of new and more efficient technology, and larger operations. These, combined with recycling and more efficient use of available products, may allow us to avoid runaway shortages. Many people agree with G. F. Joklik (25), who recently pointed out:

"Contrary to periodical forecasts based on conventional conservative reasoning, the exhaustion of most mineral reserves appears at least as far off today as it did 50 years ago. In the case of copper, the ratio of domestic reserves to annual production has held steady at about 50-to-1, even though production nearly has quadrupled. Much the same holds true for world copper reserves".

It may not be our shortage of minerals, but our shortage of money and time, which produces the forecast "Mineral Crisis".

4.3 Capital Shortages

The key to sustaining our mineral production, the source of much of the real, new wealth in our economy, is providing the industry with the vast amount

of capital required to finance exploration, technological developments and new and larger mines. The mining industry is not doing as well as others, as can be seen by the diagrams on Figure 4-2. For an industry that was debt-free 25 years ago (29), the present burden is large, and the trend frightening. A capital demand for all industries in the nation of \$4.5 trillion is predicted for the next ten years (12) -- mining's share of this will be one of the highest. Figure 4-3 shows how capital expenditures are increasing. It is obvious that the depletion allowances and investment credits touted as being windfalls for the mining industry are not sufficient to generate the capital now required. It was estimated that the mining and primary metals industry will require investments of \$150 billion between now and 1985 (37). We believe additional new incentives to invest in mining are required. Keep in mind that in the long term, the mining industry is less profitable than most (16, 17, Figure 4-1).

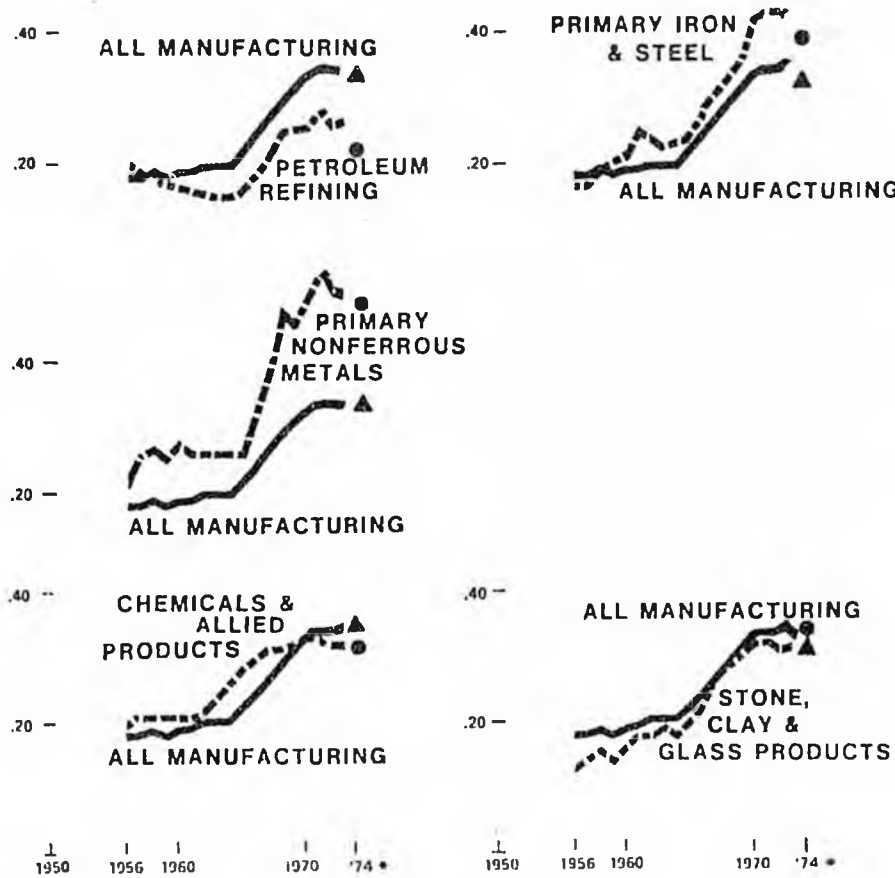
4.4 Land and Land Use Restrictions

The mineral deposits which support much of the industry are scattered throughout western North America. Where will the new deposits needed to sustain our demands come from? Most land in the U. S. is privately owned and much of this has restrictive zoning related to populated areas and existing commitments to active development such as real estate, farming, and so on.

Public land available to development of mineral resources comprises approximately 700 million acres, or just over one-third of the U. S. Until 1968, approximately 17% of this area had been withdrawn from mineral development.

DEBT-EQUITY RATIOS

(NUMBERS ARE RATIOS OF DOLLARS INVOLVED)

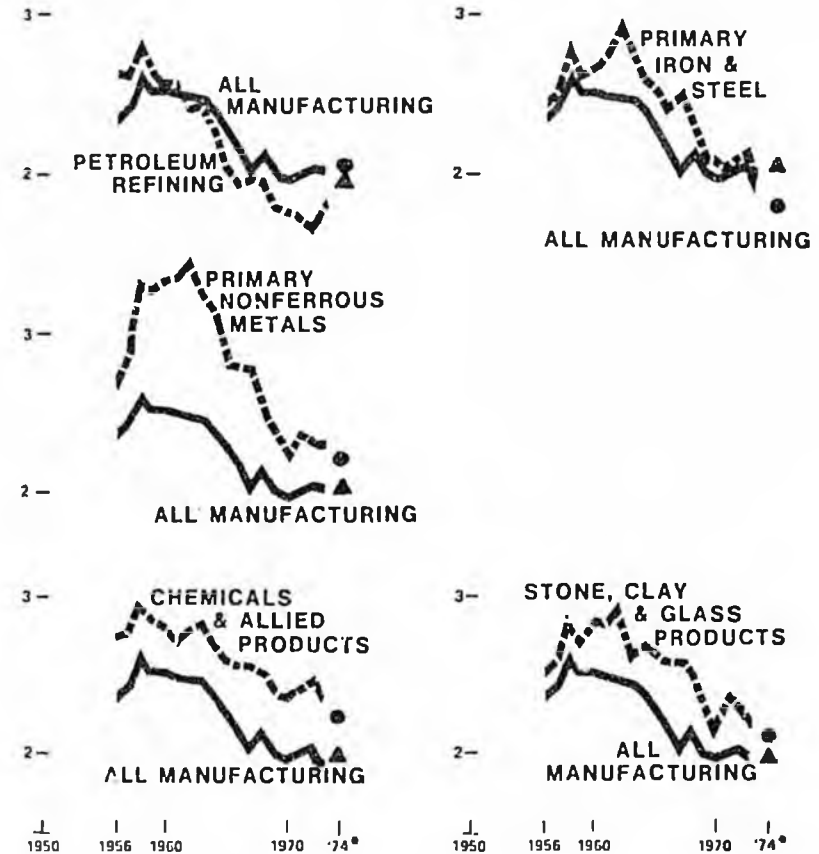


*Data are not comparable with those for earlier years because of changes in method of consolidation (to minimize the effect of foreign operations of multinational enterprises) which were initiated the fourth quarter, 1973.

▲ All manufacturing
● Specific industries

CURRENT ASSET TO CURRENT LIABILITY RATIOS

(NUMBERS ARE RATIOS OF DOLLARS INVOLVED)



*Data are not comparable with those for earlier years because of changes in method of consolidation (to minimize the effect of foreign operations of multinational enterprises) which were initiated the fourth quarter, 1973.

▲ All manufacturing
● Specific industries

Reprinted from October 18, 1975 - Skillings' Mining Review article entitled: World Minerals: The U.S. Perspective, by Thomas V. Falkie, Director, U. S. Bureau of Mines

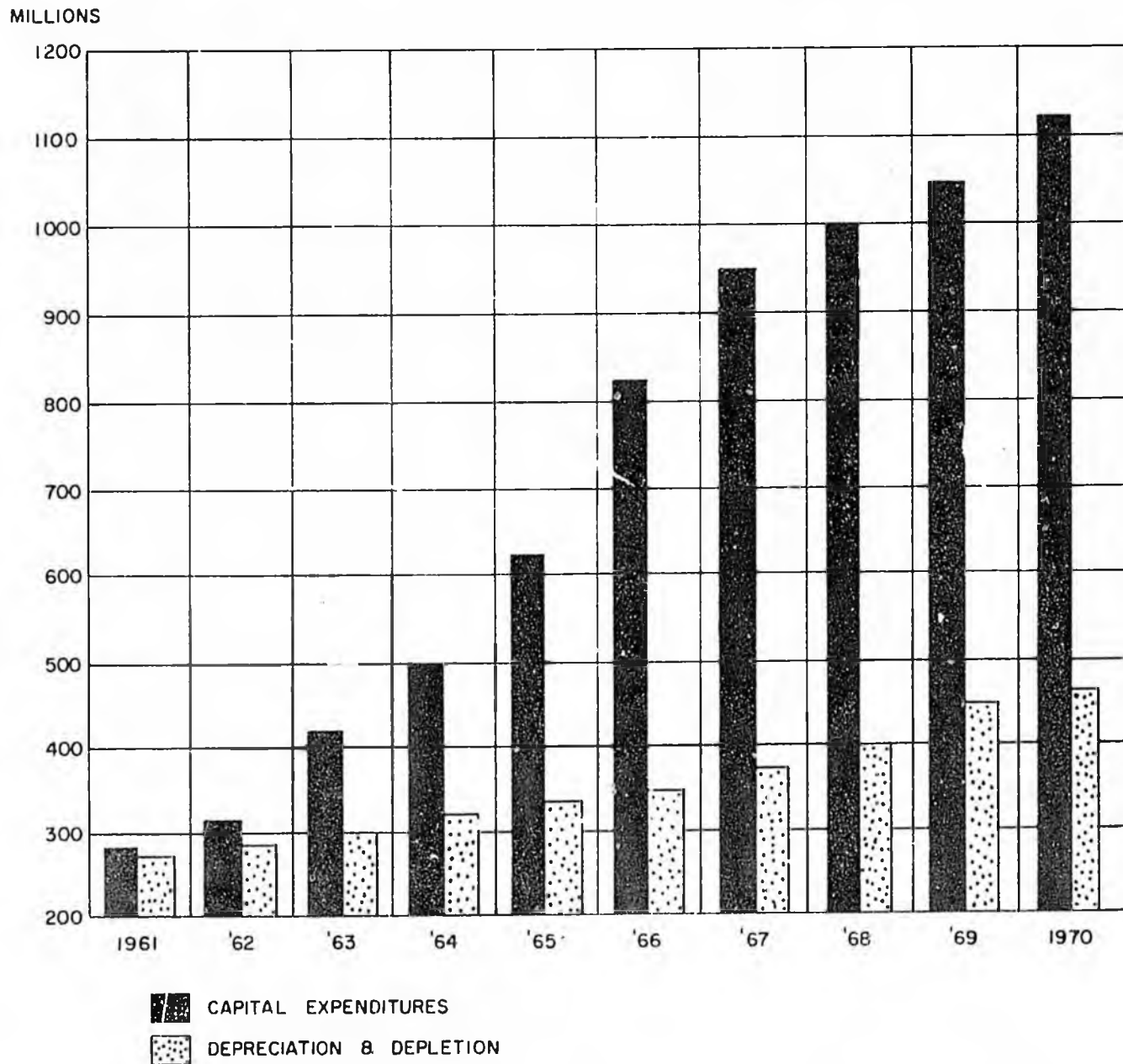


Figure 4-3

Capital Expenditures, Depreciation & Depletion

Reproduced from: MacGregor, 1971 (27)

Since 1968, land withdrawals have escalated because the cumulative impact of thousands of unrelated discrete withdrawal actions. The trend has been aggravated by the paucity of review or retraction mechanisms, and the tendency for each withdrawal action to ignore the others. By 1974, 67% of all public land had been closed to mining, freezing the economic usefulness of an area equal in size to all the states east of the Mississippi, excluding Maine (4). The breakdown of these closures is shown on Figure 4-4. Unfortunately, you cannot move a mineral deposit out of a withdrawn area so it can be mined.

Attendant on the land-use restrictions are the studies, reports and statements required by the numerous regulating agencies. In one instance involving an operative mine the company had to report to, and therefore, was regulated by 32 assorted federal and state agencies (3). This must add to both costs and uncertainties. Before a mine begins production delays caused by this type of "regulation" are common and costly, as shown on Figure 4-5. Increased payout periods and longer term interest or discount factors seriously affect viability.

4.5 Mineral Taxation

On top of these problems, as if they were not enough, the mining industry must contend with a continuously fluctuating tax base.

Mining tax rates in 13 western states are shown on Figure 4-6 with our addition of Alaska's present laws. The relatively high rate of taxation in Alaska is apparent. In considering the long-range, high-cost, high-risk nature of mining investment, a policy of stability in tax rates has something to offer both the taxing bodies and the industry.

FEDERAL LANDS EXCLUDED FROM MINERAL EXPLORATION AND
DEVELOPMENT DUE TO ALL TYPES OF WITHDRAWALS -- 1974

(in millions of acres)

UNDER 1972 HARDROCK MINING LAW

Alaska Native Claims Act	.....	249.6
USFS roadless areas	.....	55.9
Military	.....	41.3
State selections, pending state selections, and unperfected entries	.....	25.6
BLM roadless study areas	.....	19.2
Wildlife refuges	.....	15.3
Power site withdrawals	.....	15.2
National Park System	.....	14.6
National Wilderness System	.....	10.7
Reclamation	.....	5.7
BLM primitive areas (all types) ...		5.6
Utility corridors	.....	5.3
Indian purposes	.....	4.2
USFS proposed wilderness	.....	3.8
Oil shale withdrawals	.....	3.7
Alaska wildlife ranges	.....	3.3
Proposed withdrawals	.....	2.6
Recreation	.....	1.9
AEC	.....	1.4
BLM Classification Act	.....	0.7
Wild and Scenic Rivers	.....	0.5
Small Tract Act	.....	0.5
Natural areas	.....	0.3
Miscellaneous	.....	7.6

TOTAL CLOSED TO MINING

UNDER 1872 MINING LAW .. 495.0

*TOTAL THEORETICALLY OPEN .. 247.3

Closed - 67%

Open - 33%

UNDER MINERAL LEASING LAWS

Alaska Native Claims Act	.....	249.6
USFS roadless areas	.....	55.9
Military	.....	48.1
Wildlife refuges	.....	28.1
State selections, pending state selections, and unperfected entries	.....	25.6
National Park System	.....	24.6
BLM roadless study areas	.....	19.2
Power site withdrawals	.....	15.2
National Wilderness System	.....	11.6
BLM primitive areas (all types) ...		5.6
Utility corridor in Alaska	.....	5.3
USFS primitive areas	.....	3.8
Oil shale	.....	3.7
Proposed withdrawals	.....	1.2
TVA acquired land	.....	0.9
Indian purposes	.....	0.8
AEC	.....	0.7
Wild and Scenic Rivers	.....	0.5
Oil reserve buffer zone	.....	0.1
Miscellaneous	.....	26.0

Subtotal closed to leasing 526.0

Acreage already under lease 73.8

TOTAL CLOSED TO NEW

LEASING UNDER MINERAL

LEASING LAWS 599.8

**TOTAL THEORETICALLY OPEN .. 224.4

Closed - 73%

Open - 27%

* -- including land already under lease and land on which more than 10 million mining claims have been staked.

** -- New coal leasing is suspended on all federal lands.

Source: Gary Bennethum and L. Courtland Lee, Washington, D.C.

HYPOTHETICAL DEPOSITS IN CONTERMINIOUS USA
EFFECTS OF DELAYS ON RETURN RATE (2)

	<u>Evaluation Without Delays</u>			<u>Evaluation With Delays</u>			<u>Evaluation After Delays, Without Depletion</u>
	<u>Life</u>	<u>Payout</u>	<u>DCF-ROI</u>	<u>Time & Cost</u>	<u>Payout</u>	<u>DCF-ROI</u>	
1) Small copper blast & leach surface project, 1974 (8.5 mt, 0.35% Cu, capital investment of \$4,250,000)	4 yrs.	1.5 yrs.	21%	1 year delay after full investment, at \$ $\frac{1}{2}$ million cost.	-	11.4%	9%
2) Medium size underground zinc project, 1973 (29 mt, 6% Zn, 4,800 tpd, capital investment \$34,000,000)	23 yrs.	4.6 yrs.	19%	2 year delay before construction at \$1 million added cost.	7.7 yrs.	17%	13%
				1 year delay during construction at \$2 million added cost.	8.9 yrs.	14.7%	10.7%
3) Large copper open-pit project, 1974 (125 mt, 0.8% Cu, 22,000 tpd, capital investment \$170,000,000)	17 yrs.	5.0 yrs.	17%	2 year delay before construction at \$2 million added cost.	8.2 yrs.	14.5%	13.5%
				1 year delay after full investment, at \$5 million added cost.	9.4 yrs.	14.0%	11%

Data Source: Bailly, 1975

—Comparison of metal mining taxation in 13 selected western states and Alaska

Arizona		Data: E/MJ—June 1975
Corp. income tax	Effective rate 5.5%. (Rate is 10.5%, but Federal income tax is deductible)	
Severance tax	2.5% on gross income from mining, less freight	
Sales and use tax	4%, purchases of mining and milling machinery and equipment exempt	
Property tax	Producing mine is assessed at 60% of valuation of reserves. This includes mining and milling property and inventories (No separate assessment)	
Colorado		
Corp. income tax	5%, Federal income tax not deductible	
Severance tax	None on metals	
Sales and use tax	3%, only purchases of electric power and fuel exempt	
Property tax	Producing mine: 100% of net proceeds, or 1/4 of gross proceeds of previous year's production, whichever is larger. Separate assessment on mining machinery and equipment, and surface improvements, machinery, and equipment at 30%. Product inventories at 5%. Supply inventories at 30%.	
Idaho		
Corp. income tax	6.5%, Federal income tax not deductible	
Severance tax	2% on net proceeds for all metals, all expenses deducted.	
Sales and use tax	3%, electric power and fuel exempt	
Property tax	Producing mine assessed on net proceeds. Separate assessment on machinery and equipment and surface improvements. Pollution control facilities and inventories exempt.	
Kansas		
Corp. income tax	6.75% Federal income tax not deductible	
Severance tax	None on metals	
Sales and use tax	3%, sales of property consumed in manufacturing, processing, or mining is exempt	
Property tax	30% assessment	
Minnesota		
Corp. income tax	12%, Federal income tax not deductible	
Severance tax	15.5% on iron, 15.0% on taconite, 1% on copper-nickel—all based on net proceeds, with mining costs deductible	
Sales and use tax	4%, purchases of mill liners, grinding rods, and grinding balls are exempt, materials, supplies and equipment used in constructing a new or expanded taconite plant are also exempt	
Property tax	Very complex and difficult to compare with information available—except that inventories, machinery and equipment, and pollution control facilities are exempt	
Missouri		
Corp. income tax	Effective rate 2.6% (Rate is 5% but Federal income tax is deductible)	
Severance tax	None on metals	
Sales and use tax	3%, machinery and equipment exempt	
Property tax	33 1/3% assessment	
Montana		
Corp. income tax	6.75%, Federal income tax not deductible	
Severance tax	1.938% on gross value of all metals at E/MJ quoted metal prices	
Sales and Use tax	None	
Property tax	Producing mine: average of net proceeds of five years of production. Other property at 40%, except pollution control facilities at 7%	
Nebraska		
Corp. income tax	2.5%, Federal income tax not deductible	
Severance tax	None on metals	
Sales and use tax	2.5%, electric power and fuel exempt	
Property tax	35% assessment	
Nevada		
Corp. income tax	None	
Severance tax	None—except property tax on net proceeds of mine sometimes referred to as a severance tax	
Sales and use tax	3%, electric power and fuel exempt	
Property tax	Producing mine is assessed on net proceeds, other property separately assessed, pollution control facilities exempt	
New Mexico		
Corp. income tax	5%, Federal income tax not deductible	
Severance tax	For molybdenum, 1/4% of 50% of gross income from mining	
Sales and use tax	4%, chemicals and reagents exempt	
Property tax	Producing mine assessed at 33 1/3% of gross value of production. Other property separately assessed at 33 1/3% inventories at 15%	
South Dakota		
Corp. income tax	None	
Severance tax	4% of net income	
Sales and use tax	4%, no pertinent exemptions	
Property tax	60% assessment	
Utah		
Corp. income tax	Effective rate 3.1% (Rate is 6% but Federal income tax is deductible)	
Severance tax	1% on gross proceeds for all metals, processing deductible	
Sales and use tax	4%, purchase of pollution control facilities exempt	
Property tax	Producing mine assessed at two times of average of three years' net proceeds. Other property separately assessed at 30%, except that inventories are exempt	
Wyoming		
Corp. income tax	None	
Severance tax	7% on gross value of ore at the mine	
Sales and use tax	3%, mining machinery and equipment and supplies exempt	
Property tax	Producing mine assessed at gross proceeds. No separate assessment on mining machinery and equipment, inventories exempt	

ALASKA

Corp. income tax . . . 9.4% of taxable income. Federal income tax not deductible.
 Severance tax None
 Sales and use tax . . . None
 Mining license tax . . 7% (net income with depletion)
 Property tax Maximum 3% of assessed value. Set locally.

5. TOTAL IMPACT OF THE MINING INDUSTRY

5.1 Aspects of the Industry

Total impact of the mining industry extends over a considerable period of time through exploration, economic evaluation, construction-development and ultimately, production. The long gestation period stretching from discovery to a viable mining operation produces a variable short-term and long-term impact on the local and regional community. Each phase of the program -- exploration, development, mining -- has a different set of expenditure levels, monetary flow patterns, employment characteristics, and tax revenue levels. However, one of the most important effects of these operations is the economic impact as it is multiplied several times throughout the region, providing business and tax revenue far and above the original revenues.

5.2 Exploration Phase

Average exploration investment required for an economic discovery has been documented and reviewed in several studies (11, 30). In recent years, it is estimated to be on the order of \$18 to \$21 million per successful mine, including write off and unsuccessful ventures, with an average exploration period of 12 to 14 years. During this exploration phase, the contribution to the regional economic base is considerable and can have positive short-term effects on the local employment situation. Reported annual exploration expenditures in Alaska

over the past five years have been on the order of \$6 to \$10 million with well over half of this paid out to Alaska-based businesses (9). The actual total expenditures might be as much as twice the reported amounts. Expenditures for 1975 are reported to be near \$35 million. A review of exploration expenditures indicates transportation expenses accounted for the largest single cost factors, about 46% of total costs for reconnaissance programs and 22% for advanced-staged projects (21). Most of this accrued to local air carriers providing fix-wing and helicopter support. Other expenditures for provisions, fuel, and equipment were also spent locally. Exploration expenditures have created a positive input in terms of employment opportunities. Exploration activity is usually conducted on a seasonal basis in remote areas, with little need for or demand on local government facilities. Alaska, even today, is relatively unexplored for most minerals and metals, and a significant exploration industry could be sustained for decades.

5.3 Development Phase

Pre-mine evaluation and development costs represent an additional contribution to the regional economic base. It is estimated that individual pre-mine feasibility study costs are on the order of \$5 to \$10 million, representing a substantial investment before there is any guarantee of any economically viable project. Much of this is local expenditure on aircraft support, drilling, sampling, surveying and engineering programs.

During the plant construction phase, expenditures and work force would peak temporarily over a period of two to five years. Total capital investment in

Alaska for substantial mining operations is estimated to range from \$38 million for a massive sulfide deposit (31) to \$347 million or more for a large porphyry copper deposit (6). These figures may be conservative today -- the \$347 million figure, for instance, was determined in 1973.

Expenditures of this magnitude would benefit the local economic base to a considerable degree and would multiply several times through the secondary activity which is generated.

5.4 Production Phase

Ultimately, mine production provides long-term employment stability, sustained economic stimulation, and an extended-term tax base for local and state governments. Particularly important in any operation of substantial magnitude is the compound economic effect generated by mine revenue and expenditure on the local community and region. This multiplier effect can amount to several times the original direct expenditures in terms of personnel income, business income and local government revenue.

Employment figures for a large, open-pit mining operation at a remote site in Alaska have been estimated to be on the order of 300 people (7). This study suggests that total township population could be 1.5 to 2.5 times the mine employment. Service industry for the mining operation and townsite is substantial and it is estimated that the creation of 100 jobs in the basic industry will create between 70 to 110 new jobs in associated support industry. Thus a total of 300 new mine-related jobs might produce an additional 200 to 320 jobs throughout the State of Alaska.

A mining company employing 300 people in steady year-round jobs could form the nucleus for a townsite with the following makeup based on maximum and minimum projections.

Estimated Townsite Population
(See Figure 5-1 For Additional Data)

	<u>Low</u>	<u>Medium</u>	<u>High</u>
Mine Company Employees	150	300	450
Service Industry Employees	26	60	115
Dependents	<u>0</u>	<u>720</u>	<u>1,130</u>
Total	176	1,080	1,695

Establishment of a mining operation would create a dual effect on the State revenue expenditure pattern by providing long-term, year-round job opportunities with associated State personal income tax revenue and also significantly reducing outlay for seasonal unemployment benefits.

Even more dramatic are the economic output multiplier effects which relate the increased impact of each product value dollar to the commercial business activity in the immediate townsite area and the surrounding region. Results of an input-output model generated for such an economic situation in a bi-regional economy are outlined below and on Figure 5-2 (20):

Regional Sector Mining Output Multipliers

Immediate Area	1.4652
Regional Area	<u>.6266</u>
Total	2.0918

- Estimates of employment and population of mining communities by size and type of mine

Item	Open Pit			Underground - Room & Pillar			Underground - Open Stope		
	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large
Daily tons of ore and waste 1/	15,000 - 50,000	30,000 - 75,000	50,000 - 175,000	250 - 1,000	1,000 - 5,000	5,000 - 25,000	250 - 500	500 - 2,000	2,000 - 5,000
Daily tons of ore	7,500 - 15,000	15,000 - 25,000	25,000 - 50,000	250 - 1,000	1,000 - 4,000	4,000 - 20,000	250 - 500	500 - 2,000	2,000 - 4,000
Daily tons concentrated	7,500 - 15,000	15,000 - 25,000	25,000 - 50,000	250 - 1,000	1,000 - 4,000	4,000 - 20,000	250 - 500	500 - 2,000	2,000 - 4,000
Mine personnel 2/	35 - 80	60 - 100	80 - 160	30 - 60	60 - 160	160 - 430	60 - 80	80 - 210	210 - 330
Concentrator personnel 2/	40 - 70	70 - 110	110 - 180	5 - 10	10 - 25	25 - 90	5 - 5	5 - 15	15 - 25
Plant personnel 3/	50 - 100	80 - 140	120 - 220	20 - 35	35 - 90	90 - 260	30 - 40	40 - 110	110 - 175
Office personnel 3/	25 - 50	50 - 70	70 - 120	5 - 15	15 - 35	35 - 100	10 - 15	15 - 45	45 - 70
Total company	150 - 300	260 - 420	380 - 680	60 - 120	120 - 310	310 - 880	105 - 140	140 - 380	380 - 600
Service industry personnel onsite 4/	30 - 60	50 - 80	80 - 140	10 - 25	25 - 60	60 - 180	20 - 30	30 - 80	80 - 120
Dependents 5/	360 - 720	620 - 1,000	920 - 1,640	140 - 290	290 - 740	740 - 2,120	250 - 340	340 - 920	920 - 1,440
Medium estimate of townsite population 6/	500 - 1,100	900 - 1,500	1,400 - 2,500	200 - 400	400 - 1,100	1,100 - 3,200	400 - 500	500 - 1,400	1,400 - 2,200
Low estimate of townsite population 7/	200 - 600	400 - 800	700 - 1,200	100 - 200	200 - 600	600 - 1,600	200 - 200	200 - 700	700 - 1,100
High estimate of townsite population 8/	800 - 1,600	1,400 - 2,200	2,100 - 3,800	300 - 600	600 - 1,600	1,600 - 4,800	600 - 800	800 - 2,100	2,100 - 3,300

1/ Rounded to nearest 1,000 tons except for small mines.

2/ Taken from table 2.

3/ Calculated by formula in table 2, rounded to nearest 10.

4/ Based upon 20 service employees per 100 company employees, rounded to nearest 10.

5/ Based upon 2 dependents for each service and company employee.

6/ Summation of company and service employees plus their dependents, rounded to nearest 100.

7/ Medium estimate of townsite population minus 50 percent, rounded to nearest 100.

8/ Medium estimate of townsite population plus 50 percent, rounded to nearest 100.

SAWTOOTH REGION SECTOR (5) MINING
OUTPUT MULTIPLIERS
(Central Idaho)

Sector Name	STR		GIR	
	No.	Multiplier	No.	Multiplier
Dairy and Poultry	1.	.0036	25.	.0040
Livestock	2.	.0019	26.	.0143
Crops	3.	.0071	27.	.0110
Ag Services	4.	.0002	28.	.0010
Mining	5.	1.0000	29.	.0020
Construction	6.	.0107	30.	.0036
Food Products	7.	.0166	31.	.0497
Logging	8.	.0023	32.	.0000
Sawmills	9.	.0057	33.	.0007
Wood and Paper Products	10.	.0034	34.	.0044
Other Manufacturing	11.	.0327	35.	.0546
Transportation	12.	.0080	36.	.0281
Comm. and Utilities	13.	.0307	37.	.0314
Wholesale Trade	14.	.0064	38.	.0474
Retail Trade	15.	.0237	39.	.0563
F.I.R.E.	16.	.0253	40.	.0457
Lodging	17.	.0016	41.	.0010
Personal Services	18.	.0014	42.	.0073
Business Services	19.	.0068	43.	.0267
Auto Services	20.	.0011	44.	.0069
Recreation Services	21.	.0011	45.	.0041
Medical, Social Services	22.	.0085	46.	.0289
Government Enterprises	23.	.0056	47.	.0060
Households	24.	.2608	48.	.1915
SUBTOTALS		1.4652		.6266
TOTAL			2.0918	