

Opinion

State investment changes will yield millions

Reforms in the state's investment practices will yield Kentucky state government an additional \$50 million to \$40 million this year that would not have been available if the past practice of simply awarding state business had been followed according to the architect of the changes.

Gene Smith, vice chairman of the Governor's cabinet, said that the principle of competitive bidding for state funds had resulted in the investment of about \$30 million more in the investment of \$100 million that was being spent in 1982. He said that it was earning a "cut rate" had been repositioned to bring a "full rate."

Mr. Smith, who joined the administration of Governor John Y. Brown Jr. in 1981 as deputy financial secretary in January 1981, said legislation mandating the changes was passed by the 1982 General Assembly "with great difficulty," over the opposition of the banking community and State Treasurer Draxel Davis.

But he said the situation "we inherited" involved state money that had been awarded to Kentucky banks, often on the basis of political favoritism, which resulted in the loss of millions of dollars to the taxpayers.

The state is Kentucky's largest bank customer, the largest issuer of securities and probably the largest purchaser of government securities. Most of this was done on a competitive basis.

Under the policy that was "institutionalized" with the enactment last year of Senate Bill 243, he said, "absolutely none of this was done on a competitive basis."

The state also has devised techniques to bid its bond issues and the legal work connected with such securities. While these practices are not now legally required, he said the Brown

administration would propose that they be made permanent through legislation in the 1984 General Assembly.

As to the state's bond issues, the past practice was simply to award the business to investment houses. But Mr. Smith said competitive bidding had enabled the state to bring comparable savings. But Mr. Smith said the principle of competitive bidding for legal work connected with the state's bonds will bring comparable savings, but Mr. Smith said it was desirable for "both the money involved and getting the favoritism out of it so all the legal community can participate if they choose."

The Office of Debt and Investment Management, headed by Dr. James Ramsey, also has upgraded Kentucky state government's sophistication in its financial transactions by using cash-faircasting models, win-lose investment models and other techniques that could "compare with any financial institution in this country," he said.

"The techniques are being used by 90 percent of the Fortune 500 companies," Mr. Smith said. "We haven't done anything that's plowed any new ground. But we're close to state of the art, and only seven or eight other states are doing it."

Other major states are still awarding their banking business, he said, and instituting a higher return on their government accounts, which have raised taxes to cover revenue shortfalls.

Mr. Smith, a former official of Citizens Fidelity Bank in Louisville, who was deputy financial secretary of the Governor's office last year, said the usual focus on political favoritism in Kentucky government had allowed him to assess the magnitude of the situation involved from past "subsidies to the banking community."

May 1983, Kentucky Business Ledger

Hildebrand's chemistry

In the folklore of college life, every university is supposed to have a "teacher" like Joel Hildebrand, but very few do. Hildebrand, who died in Berkeley the other day at the age of 70, was the sort of man of whom legends are made—a scholar-teacher who taught chemistry to more than 40,000 University of California students, former dean of Berkeley's College of Letters and Science, former president of the American Chemical Society, winner of the Distinguished Service Medal for his work in chemical warfare defense in France during World War I, former president of the Sierra Club, and manager, in 1936, of the U.S. Olympic Ski Team (used doubly because Swiss Hildebrand didn't learn to ski well when he was 25).

Although Hildebrand was forced by university policy to retire in 1952—he was then over 70—he continued his research into the chemistry of solutions, which had led, among other things, to discoveries to protect deep-sea divers from "the bends," and has continued to write, lecture and work with graduate students. "Theoretically," he said recently, "I was supposed to be senile. I've been proved wrong ever since." Hildebrand made his first contribution to science in 1898 when he proved

that the formula for nitric oxide in his high school chemistry textbook was incorrect. His last paper appeared in the Annual Review of Physical Chemistry in 1969.

It's impossible to say what makes legendary professors. In Hildebrand's case, surely, it was his specialty in chemistry which earned him the reverence of three generations of students. It was also the quality of a man whose own field is specialty is only part of a transcendent civilization. Hildebrand was a reader of good literature, a lover of good music, and a skier, swimmer and hiker.

In an interview on his 100th birthday, he spoke of how he and his wife of 57 years "lived before the fire in our comfortable chairs, and I read aloud from a book of that sort that should be read aloud, and good enough to have been read before, perhaps by Isaac Asimov, Anthony Trollope, Robert Frost or Stephen Vincent Benet. This reading aloud stimulates good conversation. I'm not, as you see, a very talkative man. With such men as my friends, who go to bed early and ever since," Hildebrand made his first contribution to science in 1898 when he proved

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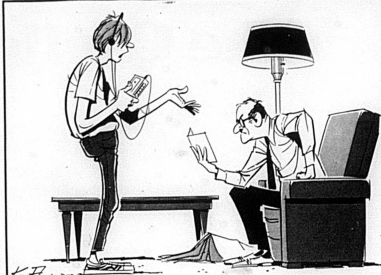
The steel contract

The new "historic" contract between the United Steelworkers and the nation's major steel manufacturers is not going to solve all the problems of a troubled industry now operating at less than 50 percent of capacity. Nonetheless, for two related reasons, it's an important—and perhaps crucial—step toward arresting the industry's desperate decline.

The willingness of workers to accept cuts in wages and benefits which, in the context of the industry's declining and no longer profitable, and the competition from lower-wage producers overseas, were of some instances awesome for their extravagance. The wage cut, roughly \$1.25 an hour, out of an average wage of \$13.25, is accompanied by modifications in the "living formula" that had made this industry's steel workers the highest paid industrial workers in the country, and probably in the world. The cuts are obviously a painful

prospect, but in an industry as plagued by obsolescence, foreign imports and enormous overemployment, there was hardly another choice.

The corresponding commitment of the steel companies to invest in modernizing their plants to invest the resulting labor savings in steel operations and in shorting up capital for their steel business. Although the wage cut—the first such cut in a major industry—has received most of the attention, the investment commitment is far more significant in an industry which in recent years has shipped more and more of its capital to non-steel businesses. It thus not only assures workers that the money they are getting is not being funneled into the arms of companies invested in the new contract will not go to unrelated investments and speculation, it also encourages some statesmanship in an industry that badly needs it.



OK, SO I GOT AN F IN ALGEBRA, BUT I GOT AN A IN SOAP CARVING, A IN MOVIES, B IN GOLF, B IN PE...

Agree or not Bond issue for Ashland-Alexandria highway awaits court decision

The earliest \$100 million bond issue for highways can be sold in a near-summer auction according to Robert Warren, secretary of Administration and Finance.

A favorable decision from the Kentucky Supreme Court on the contesting the bond issue is necessary and the full court will not convene again until June 12. The next regular session is scheduled to begin on July 1 according to Bob Mitchell, assistant to the chief justice.

Former State Representative Bruce Rhyne of Louisville filed the court challenge against the \$100 million revenue bonds designed to equalize the bond issue by the people to match federal funding. The state put up 10 percent and the federal government the balance. There were three different issues of debt, beginning in 1965 when T. (Happy) Chandler was governor.

Governor Bert T. Combs and Edward T. Bowditch also found it necessary to get bonds approved by the voters to continue the interstate construction program. These were \$500 million bonds in 1968 and \$100 million in 1970.

The state's total outstanding bonded indebtedness is \$1,730,000,000 according to Tom Meryn, of the Finance Department. This includes college and university, parks and state buildings as well as highways.

Also included in this figure is \$425,000,000 of veterans bond issues still outstanding. The people voted the state sales tax to fund these bonds.

All road bonds are funded technically from the revenue from the roads although they have not produced sufficient to meet the obligation and money from other highway revenues must be used.

The lowest interest rate on these bonds is one tenth of one percent for a 10-year issue. Rates range as high as 14 1/2 percent of some of the more recent issues.

Kentucky colleges and universities have \$416,000,000 of the state's grand total outstanding. The average rate in the 1960's was 3 1/2 percent.

Gray, Irving, son, Ricky Wayne, May 28

DIETZ — Mrs. Etta Stelling Fisher, 75, widow of Grover C. Fisher, May 29 at the residence of a daughter, Mrs. Earnest Hughes in Hill Street; — Mrs. Willis Bell Stapp, 96, Cynthia, May 29 at home — Mrs. Elizabeth Todd-Vine, 64, wife of Alford Pine, May 29 at home in Lexington, Ky. — Louis Palmer, 77, Cynthia, May 29 at home — Mrs. William Turnbull, 65, wife of Lewis E. Kitzman, May 29 at home in Patterson, N.Y.

Down Memory Lane

Thursday, May 19, 1982

Kenneth T. (Red) Bracht was Democratic nomination for Governor of Kentucky by 60,000 votes.

State Representative John C. Watta advised the Mercury on Friday that a grant of \$150,000 from the Housing and Home Finance Agency would be awarded to a large program, had been approved to assist Louisville in the construction of a work street sewer disposal plant and lines, work to begin within 100 days.

Stanley Kerney, Carlisle, was in Frankfort last week to receive a 30-year pin denoting that many years of service with the State Highway Department. He will have served 30 continuous years in April, except for 27 months active duty in the Army Service during World War II.

BORN — To Mr. and Mrs. Gary 'Kentuckians in Missouri' is published

For Kentuckians trying to reconstruct their family tree, Dr. Stuart H. Roper, adding that most came from the Bluegrass region of the state, published his new book, "Kentuckians in Missouri," in 1982. There were about 100,000 active Kentuckians living in Missouri, says Dr. Roper, adding that most came from the Bluegrass region of the state, published his new book, "Kentuckians in Missouri," in 1982. There were about 100,000 active Kentuckians living in Missouri, says Dr. Roper, adding that most came from the Bluegrass region of the state.

Dr. Roper, who has been president and Appalachian History, believes the book will be extremely useful to Kentucky genealogists. The book listing includes the names of Missouri residents, earliest known date of residence in Missouri and if known, names of parents and their birthplaces and birthdates.

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MEMBERS

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Op-Ed page

Good morning . . . I'm Clark Kent, reporter for the Daily Planet

Can you believe the audacity of some congressmen? A bill has been introduced that would allow government agents to interrogate news reporters or infiltrate news organizations to mislead congressmen.

If this ridiculous legislation goes through, I will allow my congressman to put a bill in the hopper that will make news reporters to interrogate government agents. Not that any self-respecting newspaperman particularly "wants to make anyone think he is suckling at the public trough. It's the principle of the thing.

If federal spooks can run around with press cards in their hats, there is no reason why newsmen shouldn't have phony FBI credentials. If for no other reason than to demand the bartender stop selling drinks past closing time.

Admittedly, a lot of old newsmen are pretty shady characters. They'll swallow you out of your best pocketknife, steal your editorial, sneak into ball games without paying, and not enough between the lines of their mouths to make them highly suspicious. They hang around jacks, pool courts, funeral homes, junkyards, poker games and anywhere there is a free meal, investigating in probably too good for them, but who's to impeach one?

I can't wait until I pick up my secret agent papers. Then I'm going to investigate government agents who interrogate news reporters. There has to be something substantive about anyone who would stoop to that and I intend to set up an MISKAM operation to ferret them out from off front-page news.

If I like to stand on short corners with the lapsels of my overalls, it might I understand my duty and do it right to put up a street warrior. And I dare my wife to question me about being out in a night. I understand my duty and do it right to put up a street warrior on her behalf right now.

No trouble spotting a government agent in a room full of newspapermen. He'll be the guy who's sitting at the bar and not at the table. He'll be the guy who's not talking to anyone.

There would have to be "probable cause" to believe that the operation was anything but a cover-up. It would be a good idea to have a "goodwill" before the bill would allow newspaper reporter work. It would be a good idea to have a "goodwill" before the bill would allow newspaper reporter work. It would be a good idea to have a "goodwill" before the bill would allow newspaper reporter work.

If this whole idea makes me look like an idiot, remember the name of the game is impersonation, so I must have done something right. — RM —

Every corporation of any consequence has an organizational chart, vice-president of things beginning with "T," vice-president of foreign things, assigner of parking spaces, desks, rubber bands & erasers, vice-president of few things, extremely mysterious very important person, chairman of the board's affairs, vice-president of things not covered by other vice-presidents.

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Russ Metz

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An editor's random thoughts . . .

By Warren R. Fisher

I read a column earlier under the shade of a weeping willow, planted by me some 30 or 40 years ago. It was of a man who had a heart of marble as hard as iron and had led a life of luxury and ease. He was a man who was willing to share in the suffering and pain of others, but who would not share in the suffering and pain of others.

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My partner says with little lips and bitters' of burning appetite.

It is too much to expect them to stuff their fat faces with something to take our minds off the gain. The IRS just won't have any compassion or imagination. It will not read any higher than mothers-in-law on our list.

Forward upward.

The Catlins Can't Hide Their Family Secrets Anymore.

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