

What does the future hold for Alaska?

Fiscal planning in the face of uncertainty

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2/5/2015

Outline

- 1 General Overview
 - A short review of the last 6 months
 - What governs these changes?
 - Capital Spending
- 2 Alaska's Economy
 - Overview of the sectors
- 3 Summary

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A Look Back at Oil Prices.

- Oil Prices have dropped from more than 100 dollars per barrel in the summer of 2014 to between 45 and 50.
- The state's fiscal situation has changed.

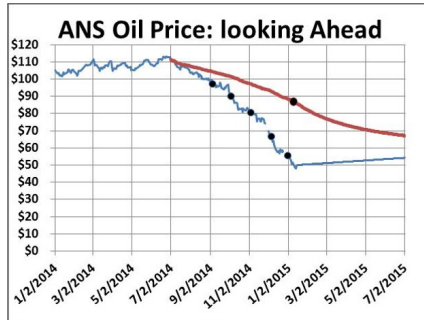
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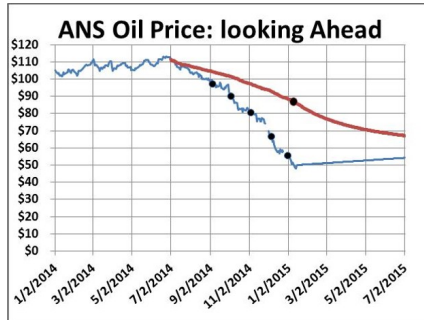
Average vs Spot Price.



What do we make of this?

- North American Supply increased substantially over the last 4 years.
- The drop in oil prices was slow at first.

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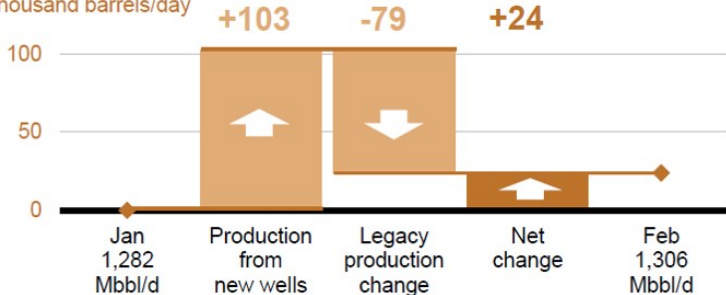
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Shale Production

Bakken Region

Indicated change in oil production (Feb vs. Jan)

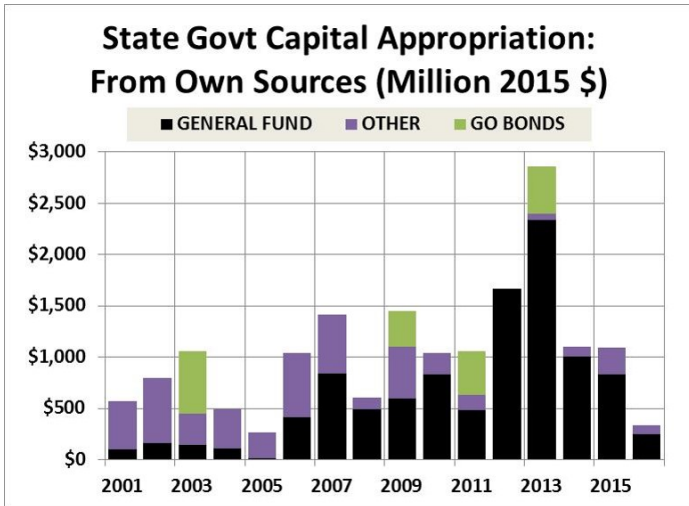
thousand barrels/day



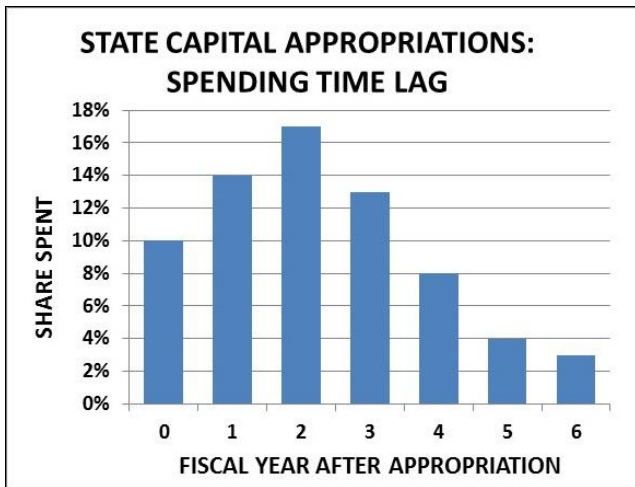
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Capital Appropriations

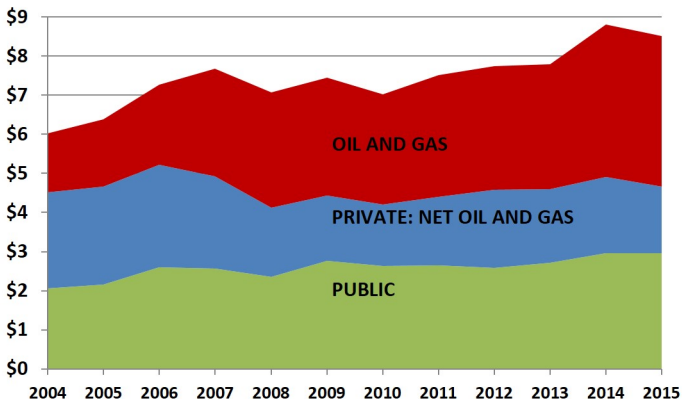


Cash on the street vs. Appropriation



Construction Spending

- Overall construction spending is forecast to be **8.5 billion dollars**.



Alaska's Economy

- **Alaska's Economy may be divided in basic and support industries.**
 - **Oil and Seafood** are basic industries because they sell products products to markets outside Alaska.
 - **Tourism** is a basic industry because tourists spend money in Alaska.
 - **The federal government** is a basic industry because the federal government injects money in Alaska.

Overall Assesment (1985 Versus 2015)

- How does the economy compare to that of 1985?
 - The economy, measured by jobs, is about 50 percent larger than it was in 1985.
 - Several industries (mining, tourism, air cargo) are considerably larger.
 - PF dividend is three times the size it was then.
 - Assets have increased in value.
 - Federal payments to individuals have also risen.

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Job Growth

- Slowdown in Job Growth over the last two years

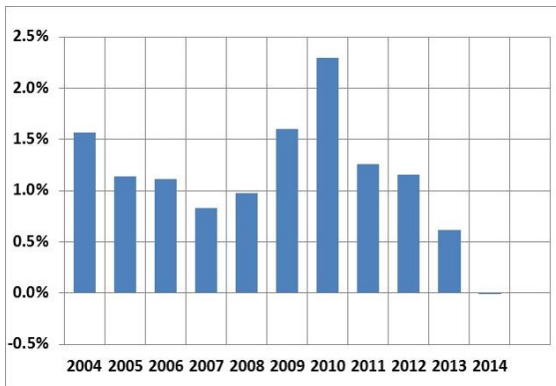


*Preliminary **Forecast

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Population Growth

- For the second straight year, outmigration has exceeded immigration.



Role of Government

State and Local Government Employment and Wages & Salaries, by Borough/Census Areas, 2013

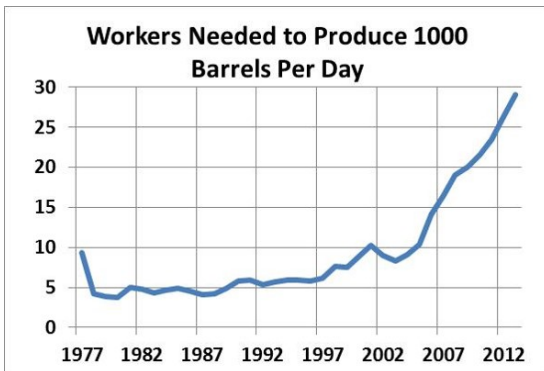
	Annual Average Employment					Wages and Salaries				
	Total	State gov't	Local gov't	State gov't	Local gov't	Total	State gov't	Local gov't	State gov't	Local gov't
Alaska	335,366	26,276	39,195	8%	12%	17,115	1,429	1,757	8%	10%
Juneau City and Borough	18,086	4,273	2,061	24%	11%	881	245	110	28%	12%
Fairbanks North Star Borough	38,859	5,472	3,143	14%	8%	1,864	277	150	15%	8%
Ketchikan Gateway Borough	7,466	692	1,130	9%	15%	319	38	54	12%	17%
Sitka City and Borough	4,447	363	686	8%	15%	190	17	31	9%	16%
Anchorage Municipality	155,720	10,740	9,728	7%	6%	8,321	581	540	7%	6%
Valdez-Cordova Census Area	4,867	333	852	7%	18%	240	18	35	8%	14%
Matanuska-Susitna Borough	21,400	1,423	3,180	7%	15%	832	72	142	9%	17%
Nome Census Area	3,877	242	1,403	6%	36%	173	17	53	10%	31%
Kenai Peninsula Borough	20,704	1,253	3,209	6%	15%	954	67	154	7%	16%
Yakutat City and Borough	312	16	105	5%	34%	12	1	4	7%	35%
Yukon-Koyukuk Census Area	2,429	122	1,324	5%	55%	100	8	37	8%	37%
Bethel Census Area	7,012	352	2,636	5%	38%	268	26	81	10%	30%
Southeast Fairbanks CA	2,482	123	313	5%	13%	155	7	12	5%	8%
Kodiak Island Borough	6,422	285	844	4%	13%	272	16	33	6%	12%
Haines Borough	1,018	44	161	4%	16%	36	2	5	6%	14%
Dillingham Census Area	2,664	106	595	4%	22%	103	7	19	6%	18%
Wrangell City and Borough	859	25	250	3%	29%	32	1	11	4%	34%
Petersburg Borough	1,492	43	381	3%	26%	56	2	15	4%	27%
Northwest Arctic Borough	2,941	77	988	3%	34%	177	6	36	3%	20%
Bristol Bay Borough	1,380	28	175	2%	13%	60	2	7	3%	12%
Hoonah-Angoon Census Area	741	12	250	2%	34%	25	1	8	2%	32%

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Oil and Gas

- Aging fields and more challenging extraction means more jobs.



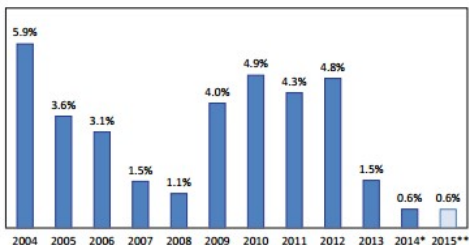
Construction

- Third largest industry paying the second highest wages.



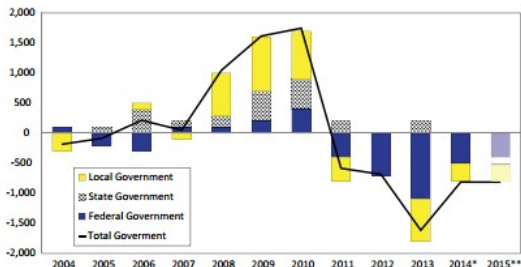
Healthcare

- An aging state means continued spending in this sector.
 - In 2013, the industry provided 37,242 jobs and had payroll of 1.85 billion dollars.
 - Medicaid expansion coupled with the changing demographics and the dispersed population indicate expenditure growth.



Government

- Most of 2015's job losses will in the public sector which is expected to shrink by *800 jobs*.
 - Declines are slowing.
 - The federal government has led the pack in cuts.



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Tourism

- The visitor dependent slice of the economy should fare well.
- As the rest of the country recovers, more disposable income means more money to spend on travel.

Summary

- Alaska is not expected to gain jobs in 2015, as the state faces downward pressure from low oil prices and tightened government budgets.
- The sky is not falling but belt tightening is inevitable.
- We are much better positioned to endure a slowdown.

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