

Alaska's Economy: The Challenge Ahead

by

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Northrim Bank

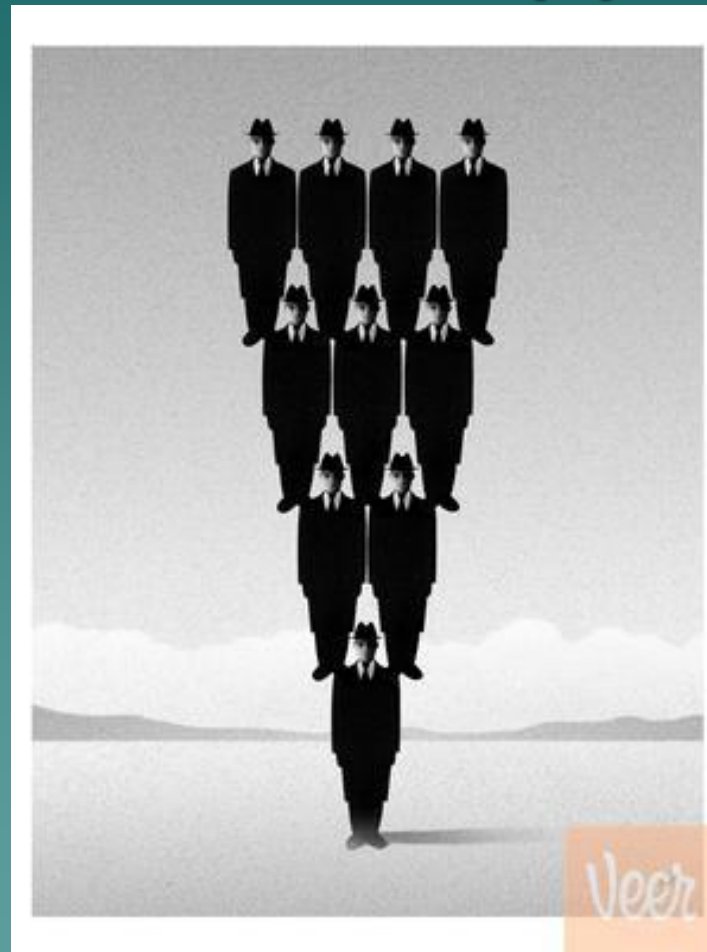
Customer First Service

Alaska at Statehood



- SMALL: 90 thousand jobs
- THIN: limited support businesses
- SEASONAL: summer private jobs 2x winter
- TRANSIENT: seasonal and temporary
- FEDERAL DOMINATION: 1/2 jobs with fed
- INFRASTRUCTURE UNDERDEVELOPED
- LIMITED TAX BASE
- POOR: Income 10-20% below US average

Petroleum Jobs: Oil Patch Support



Petroleum Revenues



SAVE
\$37
Billion



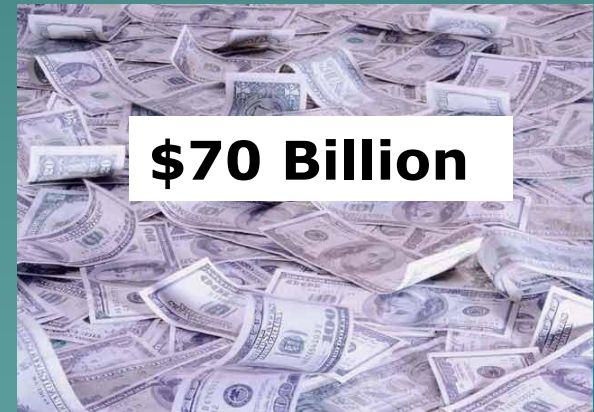
Lighter Tax Burden



SPEND
\$120
Billion

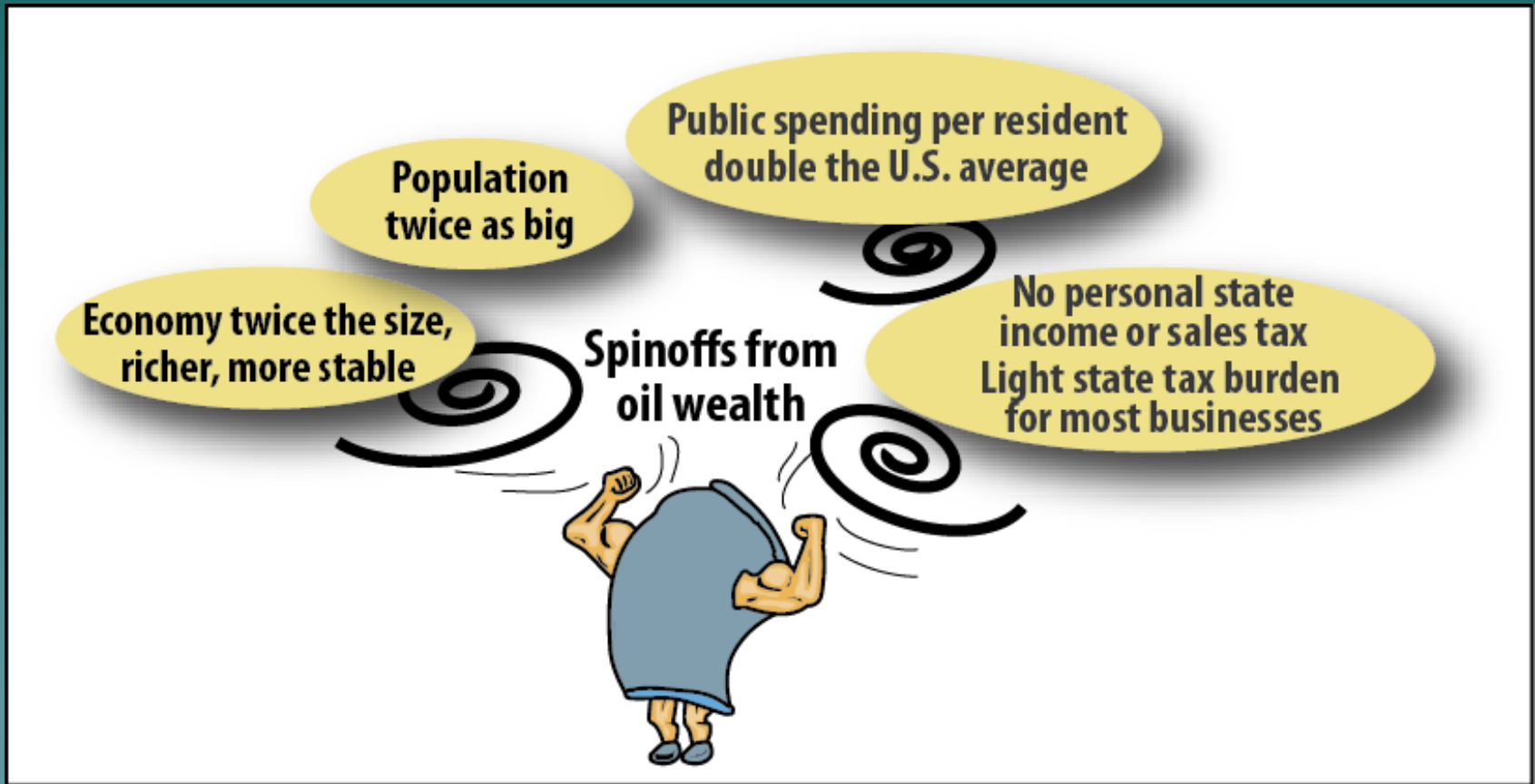


Greater Public Spending



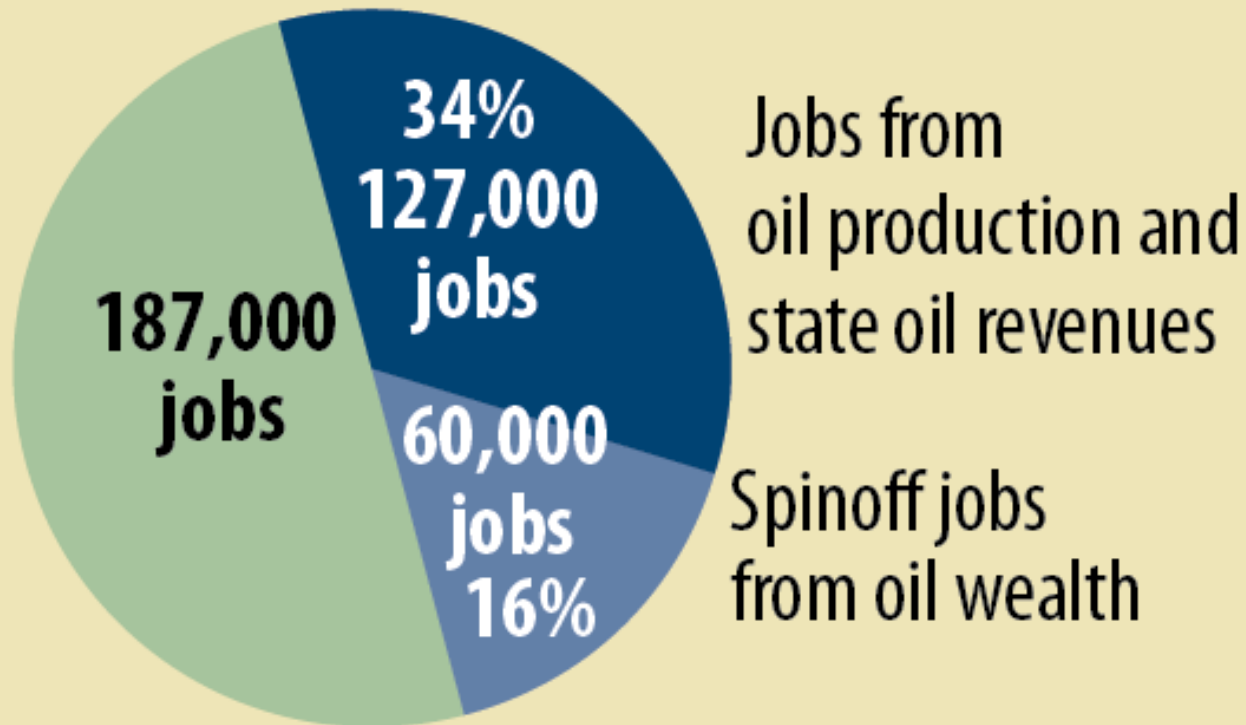
59-10 in 2010 \$

Petroleum Spinoffs



Petroleum = Half of Alaska Jobs

Actual 2007



The Economic Landscape: It Seems Rosy

By NEAL FRIED, ALYSSA SHANKS, and MALI ABRAHAMSON, Economists

Employment Forecast for 2011

Alaska's regional and statewide outlook



Modest growth ahead this year

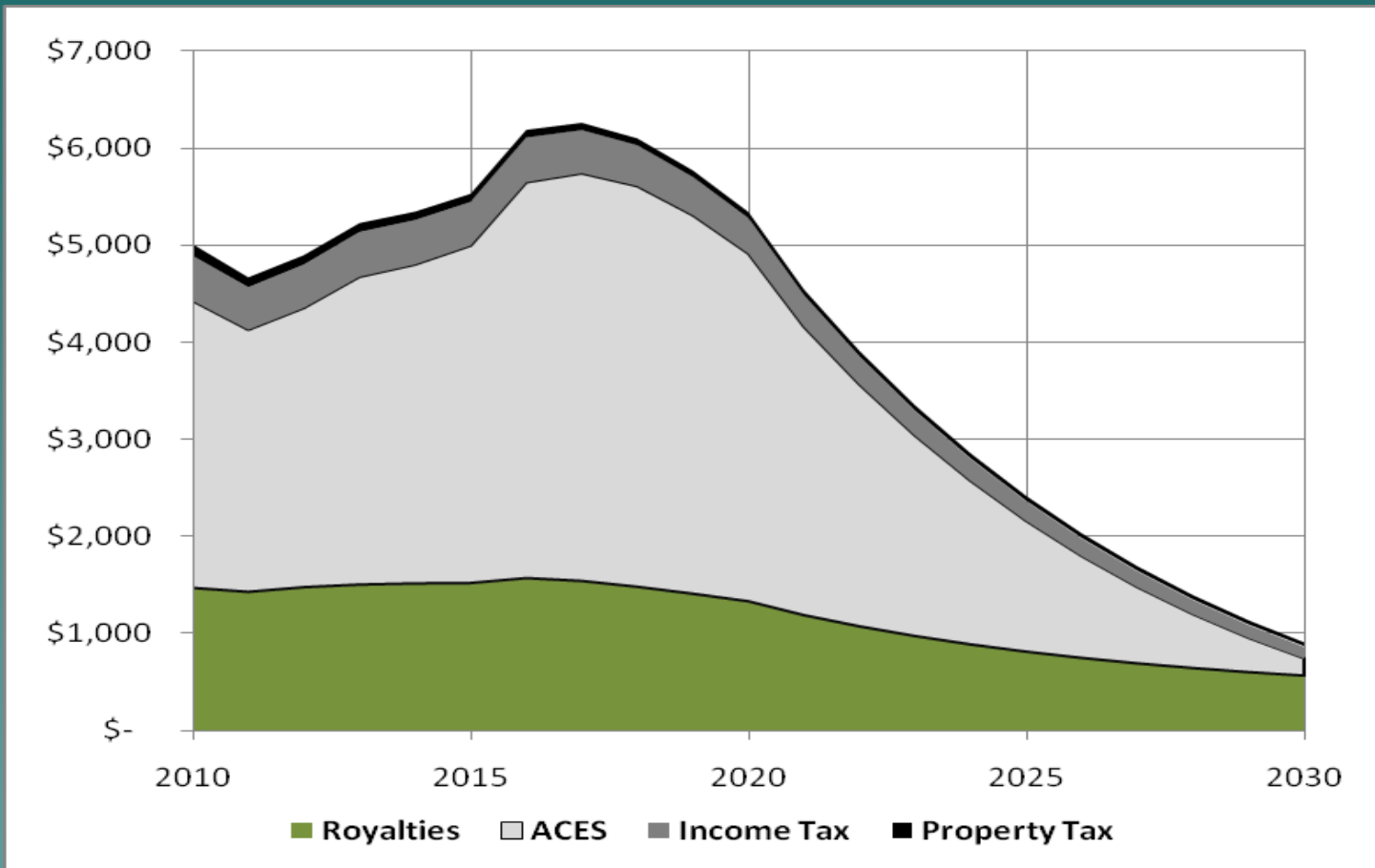
By NEAL FRIED and ALYSSA SHANKS, Economists

2010. (See Exhibits 1 and 2.)

The outlook is similar for 2011: There will be a bit of growth, with some industries in a holding pattern while most make incremental moves in both directions. (See Exhibit 3.)

Some Alaska industries that lost ground in 2010 could begin to recover in 2011, but others will probably decline. For example, the public sector was a positive force in 2010, but that's unlikely

Economic Forecasts: Seem Rosy—For a While



But the Oil Barrel is Running Dry

How Much Conventional Oil Remains on State-Owned Land?

Estimated oil as of 1960: 22.8 billion barrels (100%)



1977: 20 billion barrels (87%)

2000: 10.5 billion barrels (46%)

2010: 4.8 billion barrels (21%)

2020: 2.9 billion barrels (13%)

Source: Alaska Department of Natural Resources, historical production and projected future production

Strategies Moving Forward #1: Non Petroleum Natural Resources



MINING 1K
\$4,000 / Oz.

TOURISM 10K
\$2,000 / Visitor



* \$3 Billion



SEAFOOD 0K
\$20 / Salmon

Strategies Moving Forward #2: Federal Relations



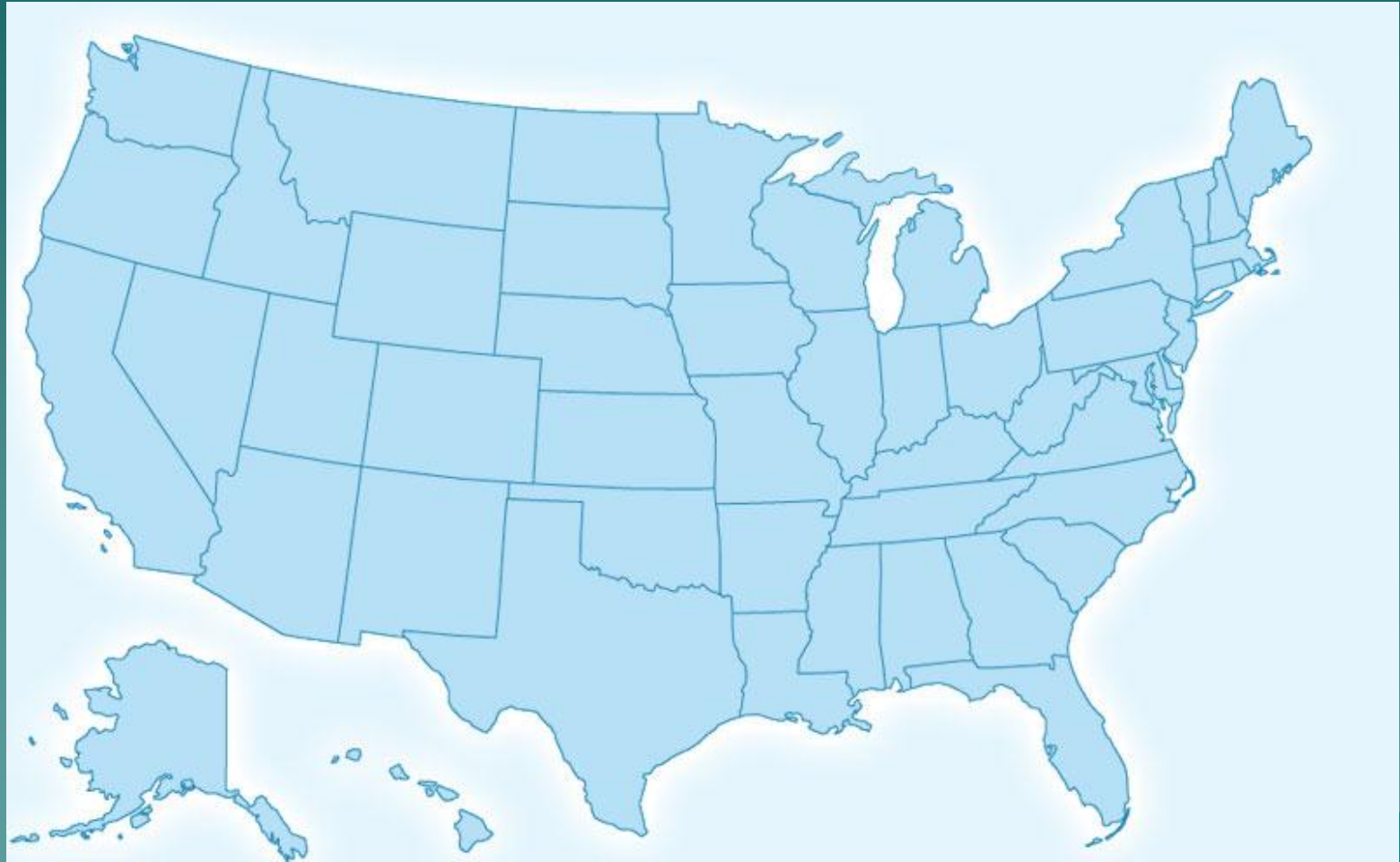
Strategies Moving Forward #3: Traditional Economic Development



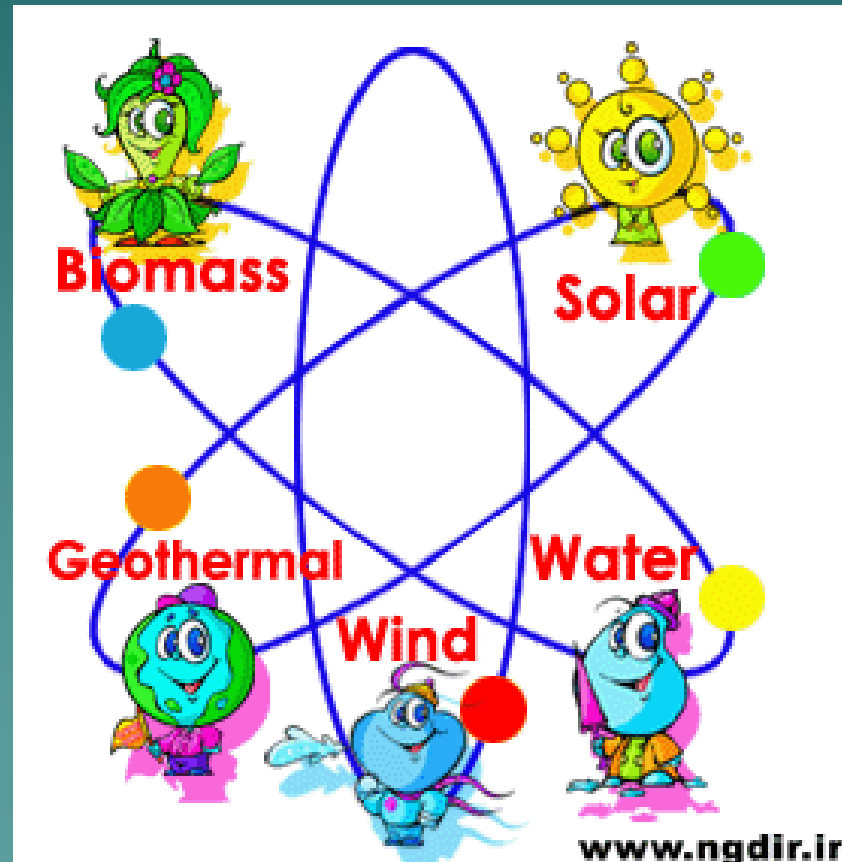
Alaska Economic Development Strategic Plans

About 374,000 results

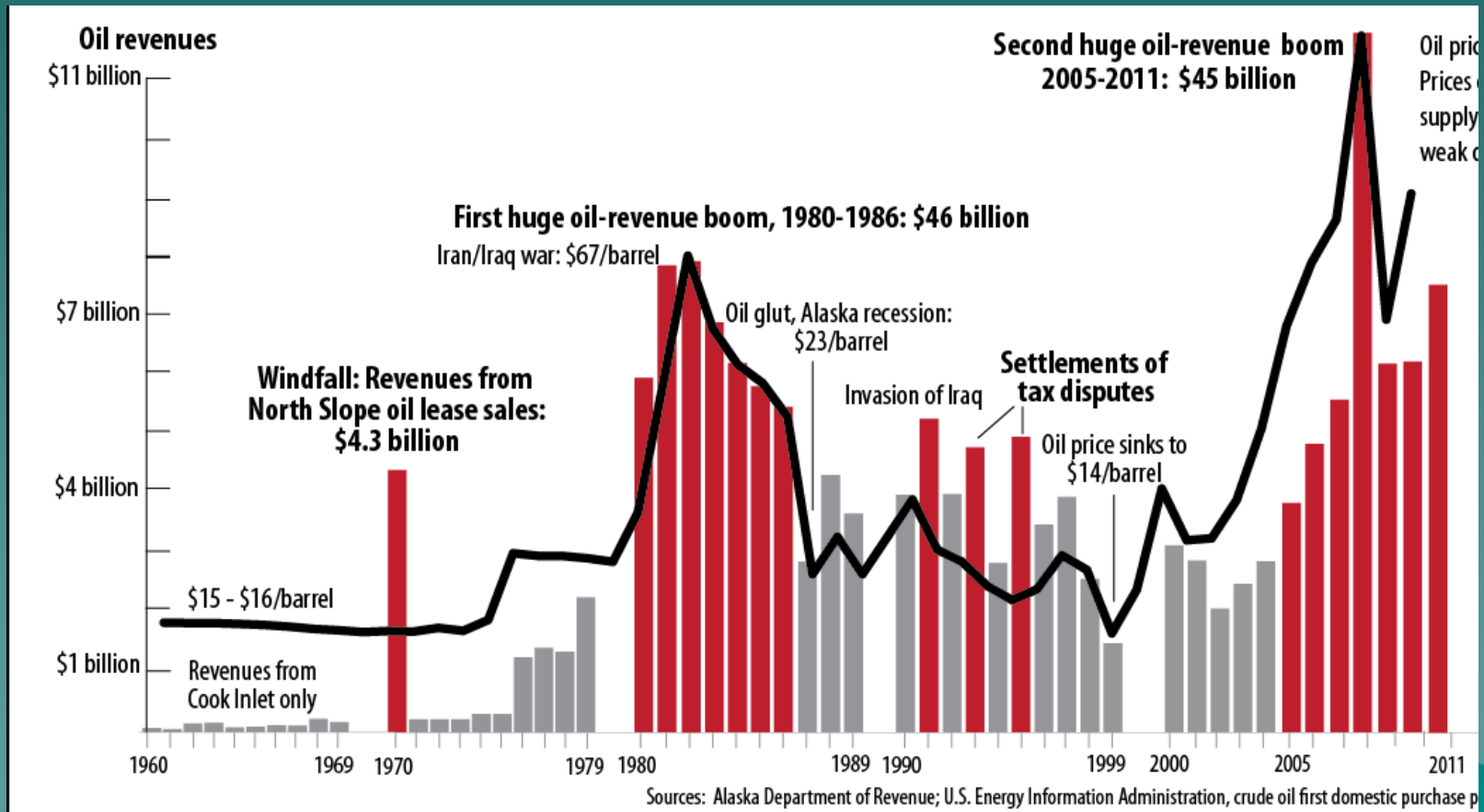
Alaska: An Island Economy



Strategies Moving Forward #4: Develop Renewable Energy



The Second Oil Boom: God Answers Our Prayers



God Answered Our Prayers: Now What?

- Work to Gain Access to Petroleum on Federal Lands
- Establish Policies to Maximize Petroleum Development on State and Federal Land Onshore
- Manage Petroleum Financial Wealth for Sustainability

Recoverable Petroleum in the Ground (???) = Jobs



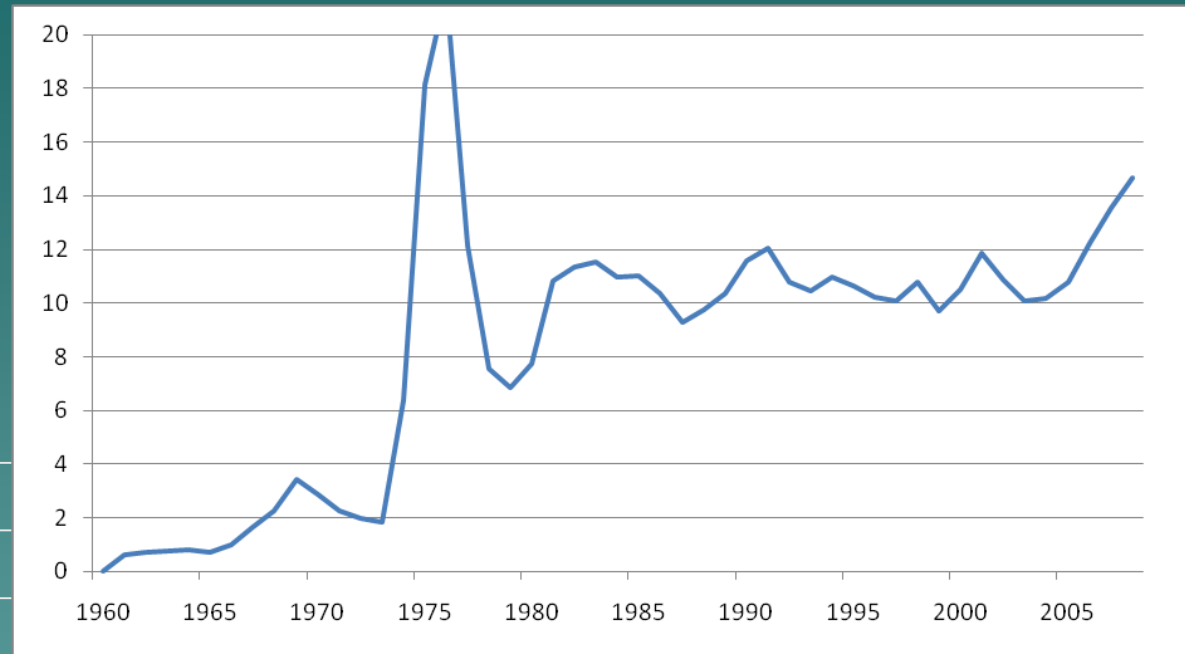
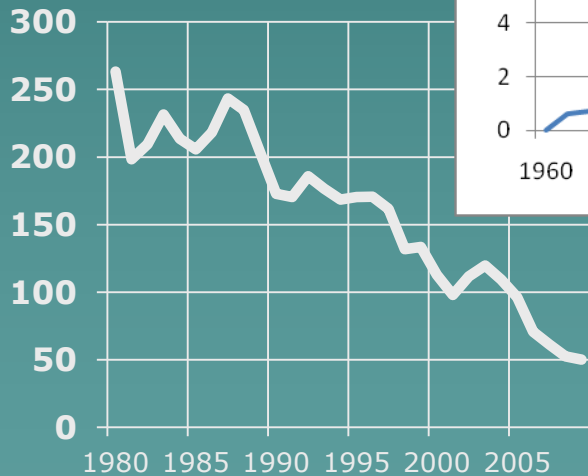
	OIL (Billion Barrels)	GAS (TCF)
ANWR/OCS/NPRA	33.6	148.8
GAS ON STATE LAND	-	37.5
UNCONVENTIONAL	?	?
OIL ON STATE LAND	4.5	-

Oil Patch Activity Simplified

- Keep the Lights on and the Engine Running
- Squeeze the Sponge
- Expand the Frontier
 - Satellites
 - Known Fields
 - New Technology
 - Exploration



Trend in Oil Patch Employment



Petroleum Wealth \$141 Billion



IN THE BANK	\$55
Permanent Fund	\$38
Constitutional Budget Reserve	\$10
Statutory Budget Reserve	\$1
General Fund	\$4
Other	\$2

IN THE GROUND	\$86
Conventional State Land	\$78
Federal	\$1
Natural Gas	\$7
Other	\$0

Petroleum Wealth: Current Draw (Billion \$)

Sustainable Spend	\$5.65
Actual Spend	\$6.93
Over Spend	\$1.27

Save or Invest?

This moment will be a critical one in Alaska's future history. Development must not be confused with exploitation at this time. The financial welfare of the future state and the well-being of its present and unborn citizens depend upon the wise administration and oversight of these development activities. Two very real dangers are present. The first, and most obvious, danger is that of exploitation under the thin disguise of development . The taking of Alaska's mineral **(FINANCIAL)** resources without leaving some reasonable return for the support of Alaska government services and the use of all the people in Alaska will mean a betrayal in the administration of the people's wealth.

--E.L. Bartlett ,1955 addressing the Constitutional Convention

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