Changes in Alaska Jobs and Income 1980-1990

Percentage Growth in Population and Jobs 1980-1990

(By Census Area)

Census Area*	Population	State and Local Government Jobs	Other Jobs
Alaska	39.4%	39.1%	51.5%
Aleutian Islands	72.2	27.1	136.6
Anchorage	35.2	22.8	47.0
Bethel	25.4	68.3	15.7
Bristol Bay	47.2	171.6	48.6
Dillingham	20.9	41.2	21.0
Fairbanks	40.7	49.6	51.1
Haines	31.3	5.0	51.2
Juneau	36.9	29.6	46.9
Kenai Peninsula	62.8	69.8	80.0
Ketchikan	22.7	25.2	29.1
Kobuk (NW Arctic Boro.)	21.5	9.7	75.4
Kodiak Island	29.1	36.2	42.7
Matanuska-Susitna	121.7	132.0	145.5
Nome	25.6	64.6	37.7
North Slope	39.8	86.0	9.6
Prince of Wales	66.3	53.9	64.3
Sitka	12.7	15.1	19.5
Skagway/Yakutat/Angoon	27.0	7.3	78.3
Southeast Fairbanks	16.4	4.7	35.8
Valdez/Cordova	20.6	39.4	24.2
Wade Hampton	21.8	83.9	-4.4
Wrangell-Petersburg	13.1	-1.1	24.8
Yukon-Koyukuk	8.7	41.3	10.1

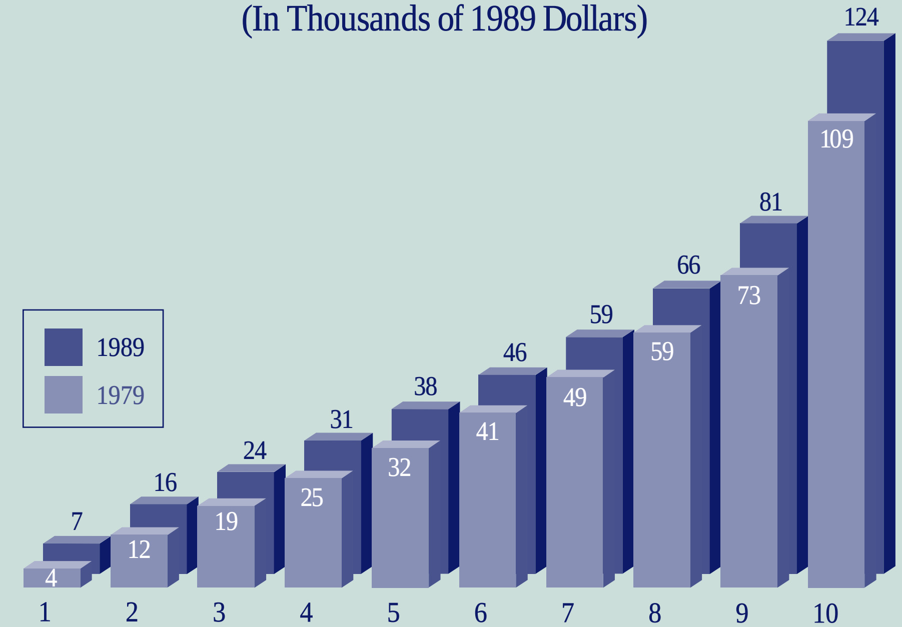
Source: U.S. Bureau of the Census

*1990 census areas adjusted for comparison with 1980

- Alaska real (adjusted for inflation) median household income at all levels increased between 1980 and 1990.
- The distribution of Alaska household income among low, middle, and upper income households remained virtually unchanged from 1980-1990—mostly because Permanent Fund Dividends and Longevity Bonuses increased incomes of poorer households by a much larger percentage.
- In the U.S. as a whole, the share of total income going to the wealthiest families increased between 1980 and 1990, while the shares of poorer and middle income families declined.
- In Alaska and most of its census divisions, the number of jobs grew as fast or faster than population between 1980 and 1990—meaning that the percentage of working adults increased in most areas.
- In several rural areas, however, most or all of the job growth was in state and local government jobs, making those areas more dependent on state spending.

Change in Real Alaska Household Mean Income

(In Thousands of 1989 Dollars)

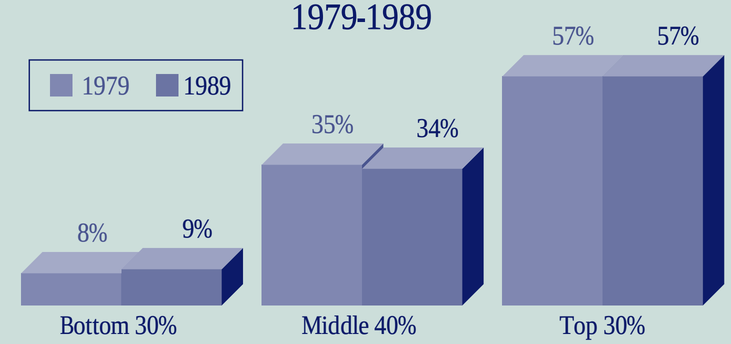


Households by Decile, From Poorest to Wealthiest

Note: Numbers are mean income for each decile of households

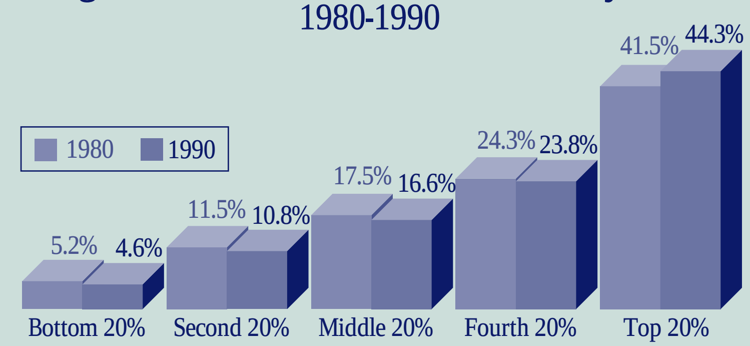
Change in Distribution of Alaska Household Income

1979-1989



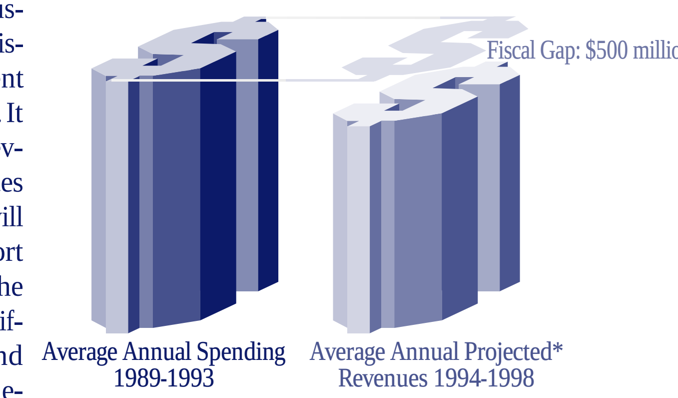
Change in Distribution of U.S. Family Income

1980-1990



Source: U.S. Bureau of the Census

Estimating the Fiscal Gap in the 1990s



The adjacent figure illustrates the magnitude of the fiscal gap the state government faces over the next five years. It shows that average annual revenues from existing sources between 1994 and 1998 will fall about $500 million short of average spending for the past five years. The actual difference between revenues and spending each year will depend on the price of oil, one-time settlements, and others factors.

Alaska's income is falling over the long run because petroleum revenues, which pay for most of state government, are declining and will most likely continue to decline as the huge Prudhoe Bay field is depleted. New production can replace some but not all of the loss. Higher oil prices could offset the drop in production for a while. In recent years, the state has balanced its budget by making spending cuts and using reserves and one-time settlements of back oil taxes. At some point in the near future, the reserves will be gone and the state will face big deficits that will most likely get larger over time.

**Projections of Alaska Department of Revenue, Spring 1993. Values in 1993 dollars.*

Sources and Methods

The 1980 and 1990 federal censuses provided the basis for most of our analysis of changes in the distribution of income and the composition of jobs in Alaska, and of the potential distributional effects of various state policies. To estimate potential 1993 revenues from various kinds of taxes and from elimination of state transfers we relied on Alaska's budgets, the U.S. Consumer Expenditure Survey, and Alaska Department of Revenue income tax forms and statistics about income tax paid in 1979.

The results of our analysis depend heavily on available information and assumptions about the level and structure of various kinds of taxes. Our estimates of sales tax is based on household consumption. Property tax payments include increased taxes on dwellings and an estimate of the increased taxes that businesses would pass on as higher prices to their customers. We also attempted to estimate households' reduced federal taxes, as a result either of lower income if transfers were eliminated, or of increased federal deductions for higher property and income taxes. All these policy options would have other effects that might shift taxes onto or away from Alaska households—but calculating the ultimate incidence of taxes is beyond the scope of this paper. Assumptions include:

Elimination of Dividends and Bonuses: Because many Alaskans apparently did not report their Permanent Fund Dividends and Longevity Bonuses as income on their census forms, we allocated that income to individuals most likely to be eligible.

Personal Income Tax: We constructed a tax similar to the one in place in 1979. The estimated 10 percent paid by non-residents is the share they paid in 1979.

Sales Tax: We assumed a 6 percent tax with groceries and most services exempt. Alaska Visitor Industry Statistics allowed us to estimate taxes from non-residents.

Property Tax: The census provided values for owner-occupied homes; we estimated the value of rental units based on the rent paid.

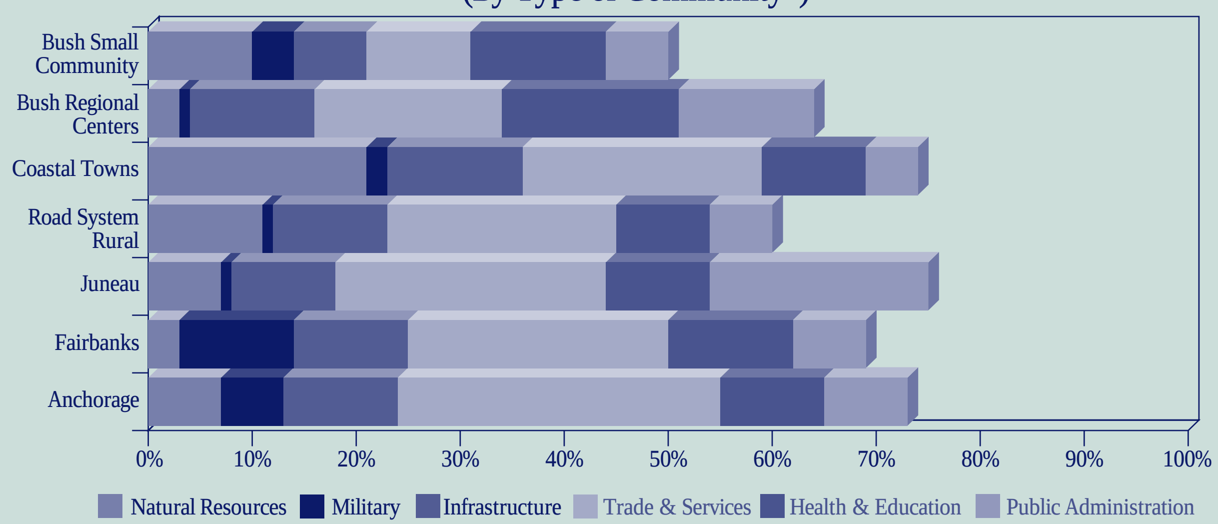
Taxes Paid by Business: Some sales and property taxes would fall on businesses as well as households. We assumed businesses would pass these taxes on to customers in higher prices, and so have allocated them to households. The oil, timber, and fishing industries, which must sell at world prices, would have to pass increased taxes on as reduced wages or returns to shareholders. We did not allocate their taxes to households.

Potential Effects of State Spending Cuts and New Taxes

- Jobs in natural resource industries provide only a small part of total Alaska employment. Even in coastal towns, where the commercial fishing industry provides many jobs, only about one job in four is in natural resources.
- Trade and service industry jobs are the most common jobs throughout the state, except in bush small communities.
- Health and education jobs, many of which are government funded, are the largest source of employment in small bush communities, and the second largest in bush regional centers.
- Households with residents over 65 and those with children would lose a higher percentage of their incomes than households on average (shown in Figure 1 on page 1) if the state eliminated Permanent Fund Dividends and Longevity Bonuses. This is true at every income level.
- Loss of the dividend and bonus would cost the poorest households with residents over 65 just over 40 percent of their income and the poorest households with children more than 30 percent.
- In general, even though high income households pay smaller percentages of their incomes in property and sales taxes, they pay a much larger share of total tax dollars—because their incomes are so much higher.
- Although some property, income and sales taxes would fall on non-residents, Alaskans would pay most of the taxes under all of these policy options.
- If the state used the dividend as a credit on an income tax, the results would be virtually the same as if it imposed the tax but continued to pay the dividends—an option we analyzed. (We assume the IRS would tax the dividend, whether it came as a tax credit or as a check.)

Percentage of Adults Employed by Industry, 1990

(By Type of Community*)



* Bush Small Community includes communitites with populations below 1,000 and not connected by road to Anchorage or Fairbanks
Bush Regional Centers include Bethel, Kotzebue, Nome, and Barrow
Coastal Towns include communities with populations above 1,000 and significant commercial fishing: Craig, Ketchikan, Metlakatla, Sitka, Petersburg, Wrangell, Cordova, Kodiak, Unalaska, and Dillingham
Road System Rural includes all other communities with highway or railroad access to Anchorage or Fairbanks
Excludes persons living on Adak Station, Fort Greely, Eielson Air Force Base, and Kodiak Station

Source: U.S. Bureau of the Census, STF #3.

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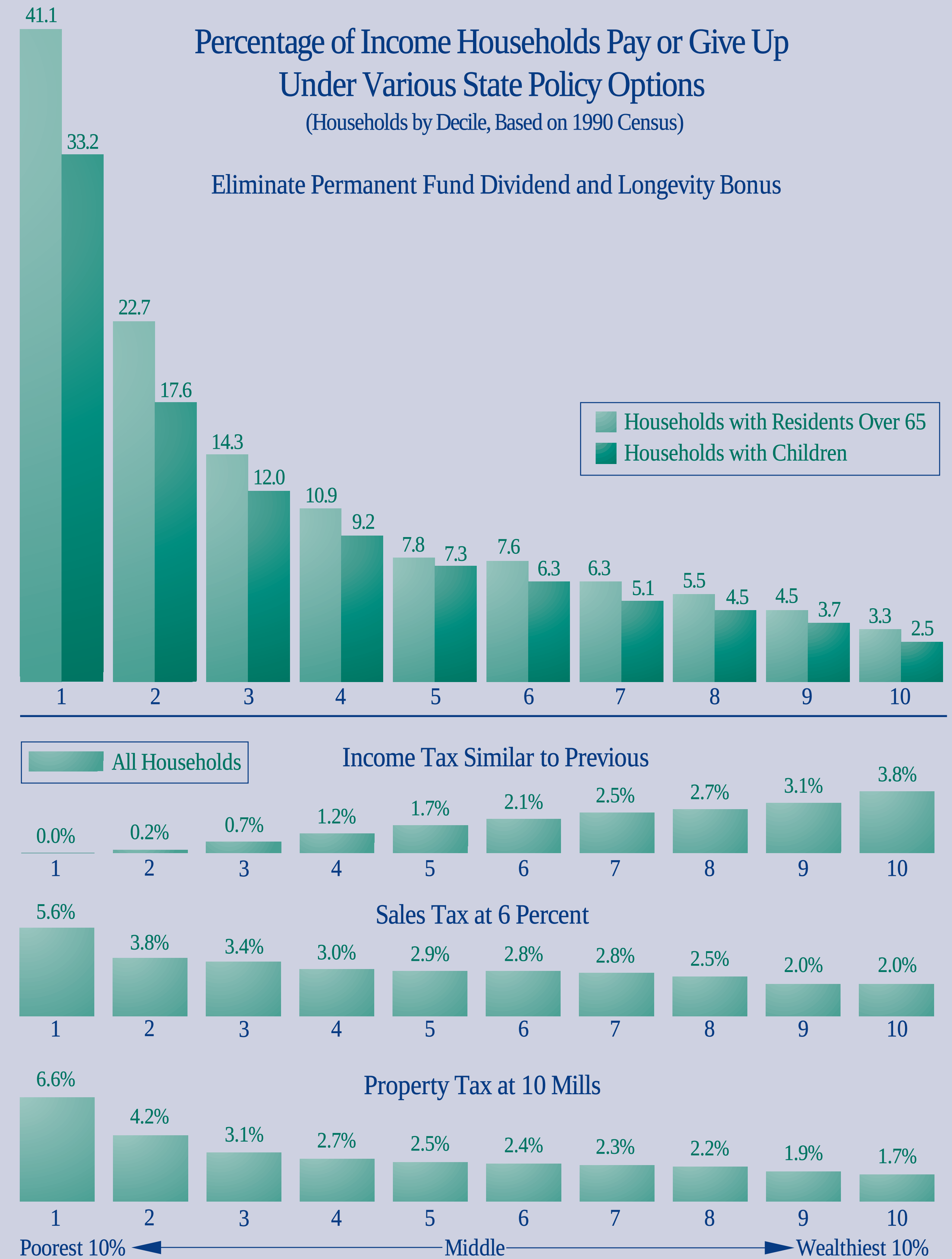
Percentage of Income Households Pay or Give Up Under Various State Policy Options

(Households by Decile, Based on 1990 Census)



Source: U.S. Bureau of the Census and ISER analysis