
Alaska's Unique Economic Structure and Fiscal Challenges

Scott Goldsmith
Professor of Economics
Institute of Social and Economic Research
University of Alaska Anchorage

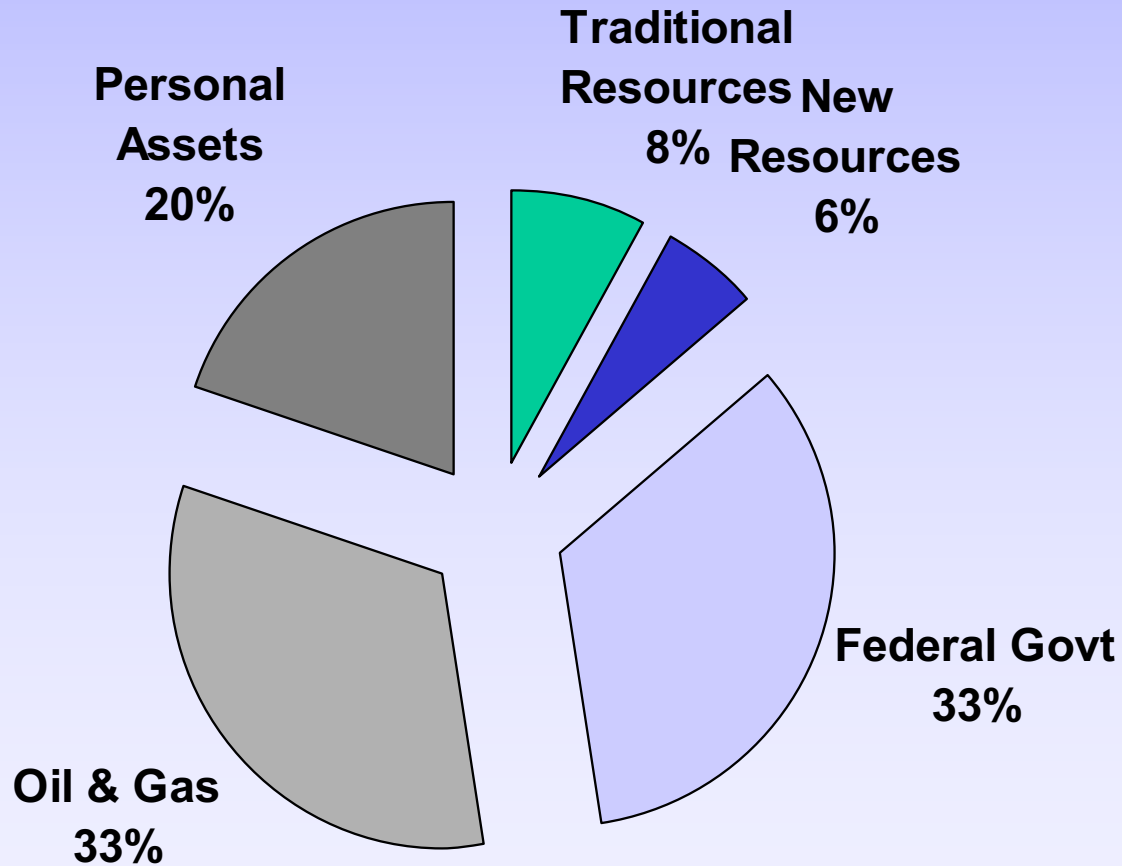
Alaska Economics

- The Structure of the Economy
- Recent Economic History
- Population Trends
- A Look to the Future
- State & Local Finances
- The Economic Regions of Alaska

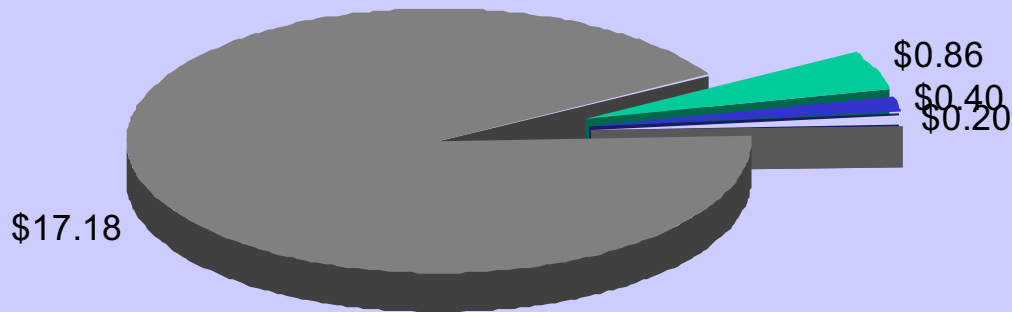
Alaska Economics

- **The Structure of the Economy**
 - **Oil and Government Dominate**
- Recent Economic History
- Population Trends
- A Look to the Future
- State Finances
- The Economic Regions of Alaska

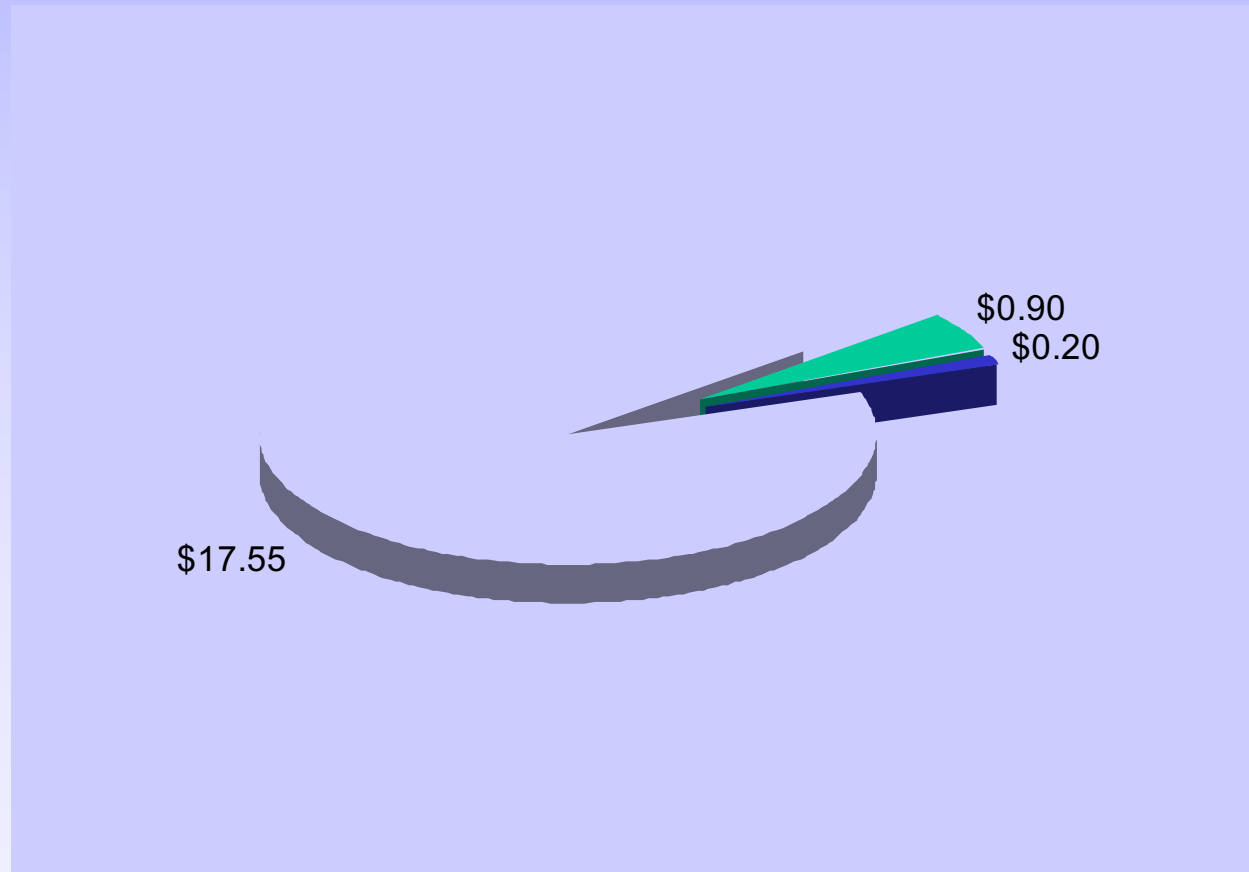
Alaska Economics: The 5 Sectors



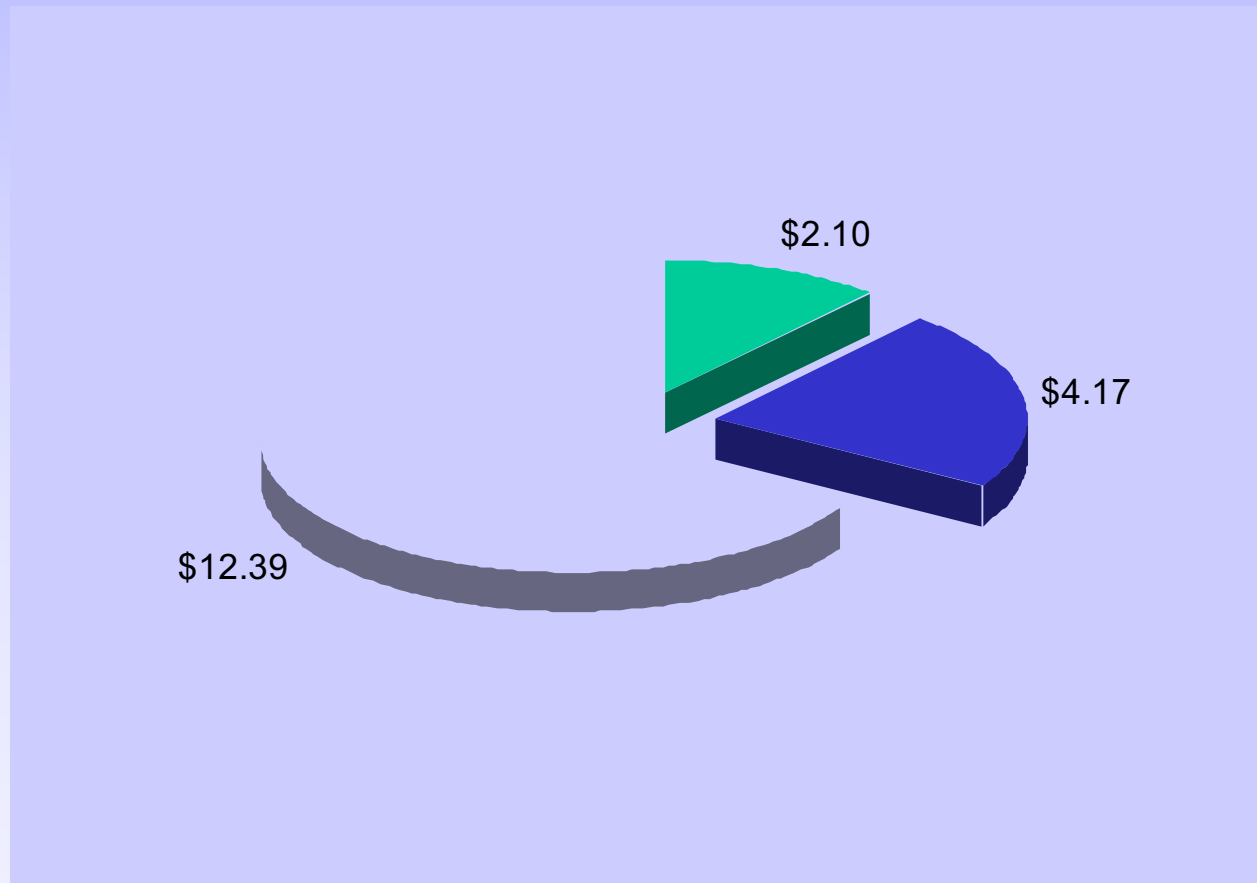
Alaska Economics: The Traditional Resource Sector



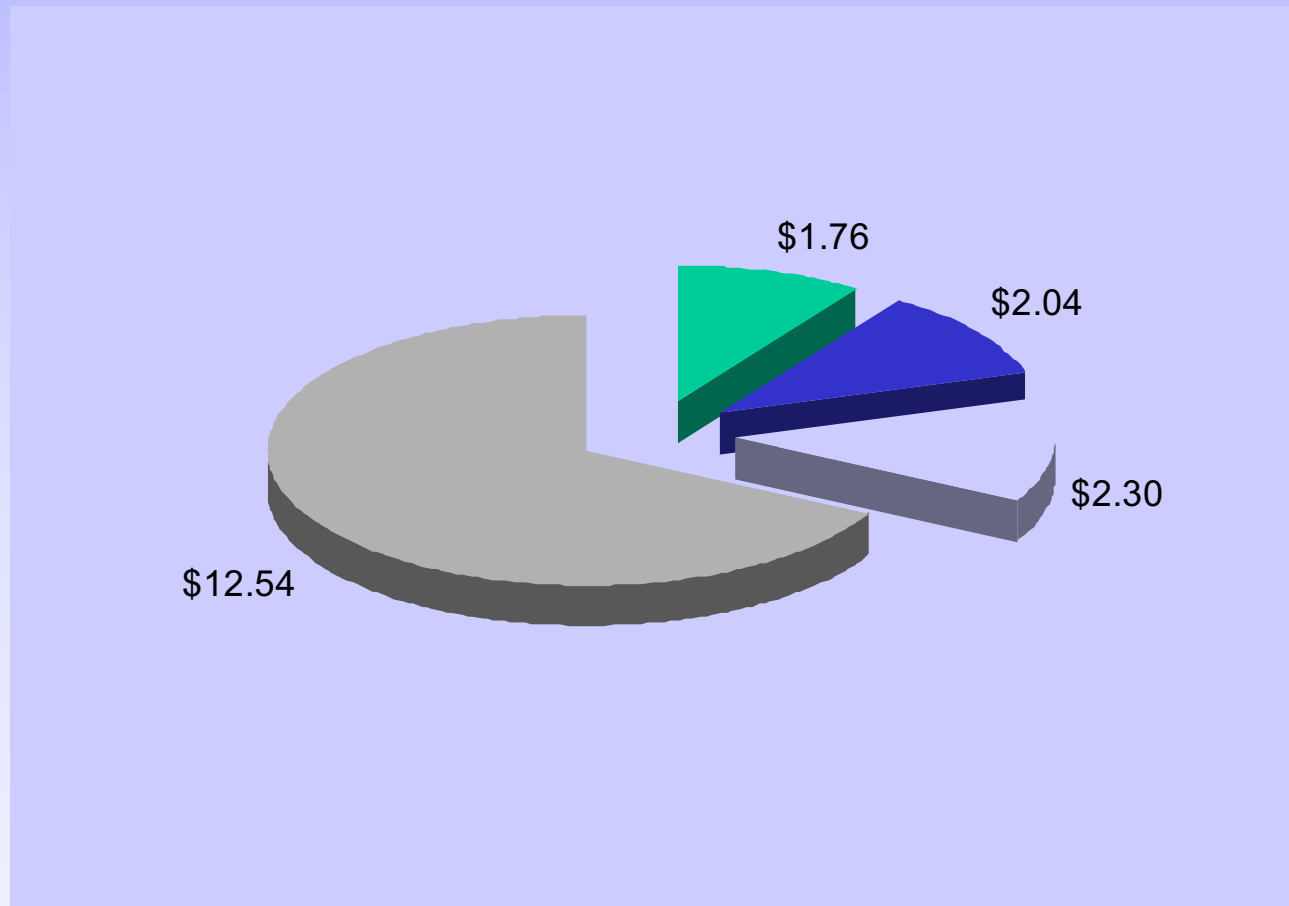
Alaska Economics: The New Resource Sector



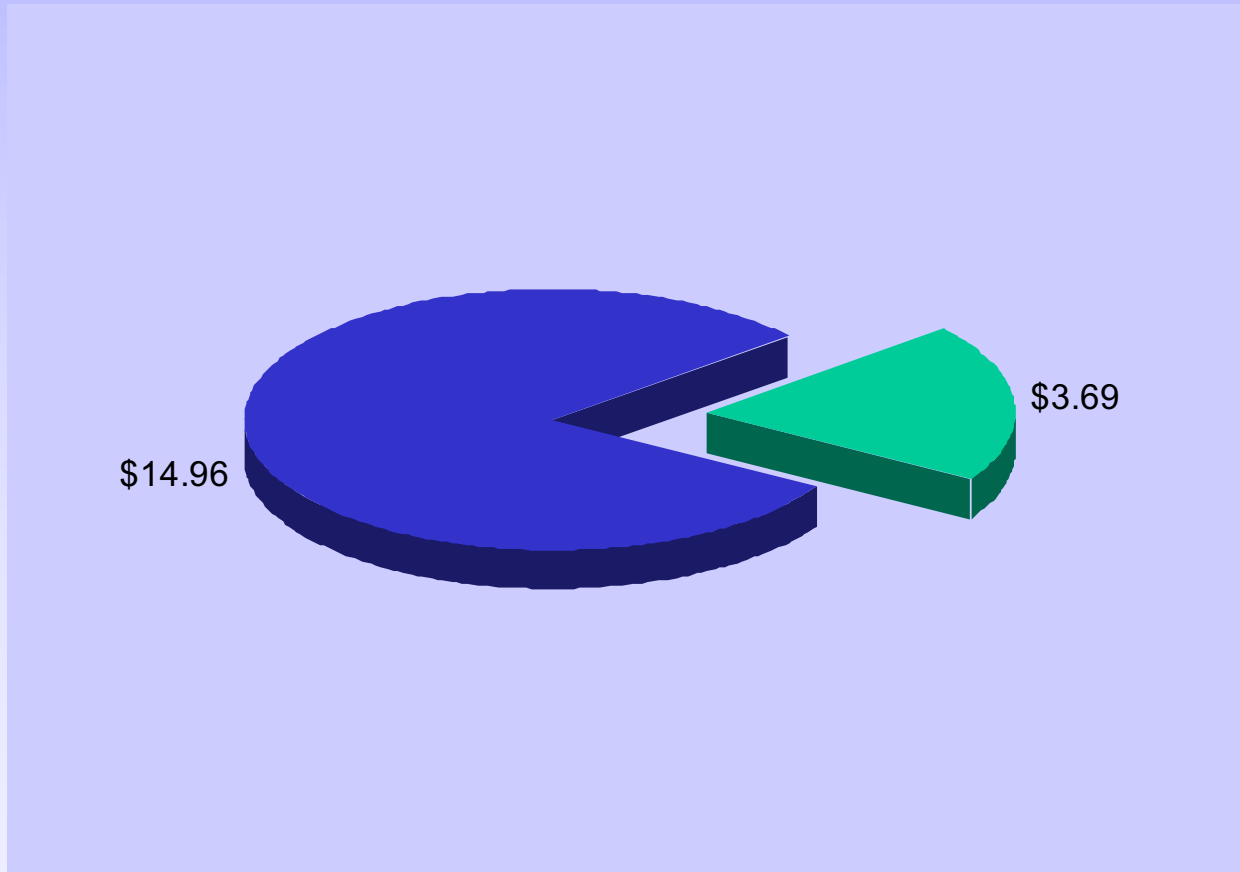
Alaska Economics: The Federal Sector



Alaska Economics: The Oil and Gas Sector



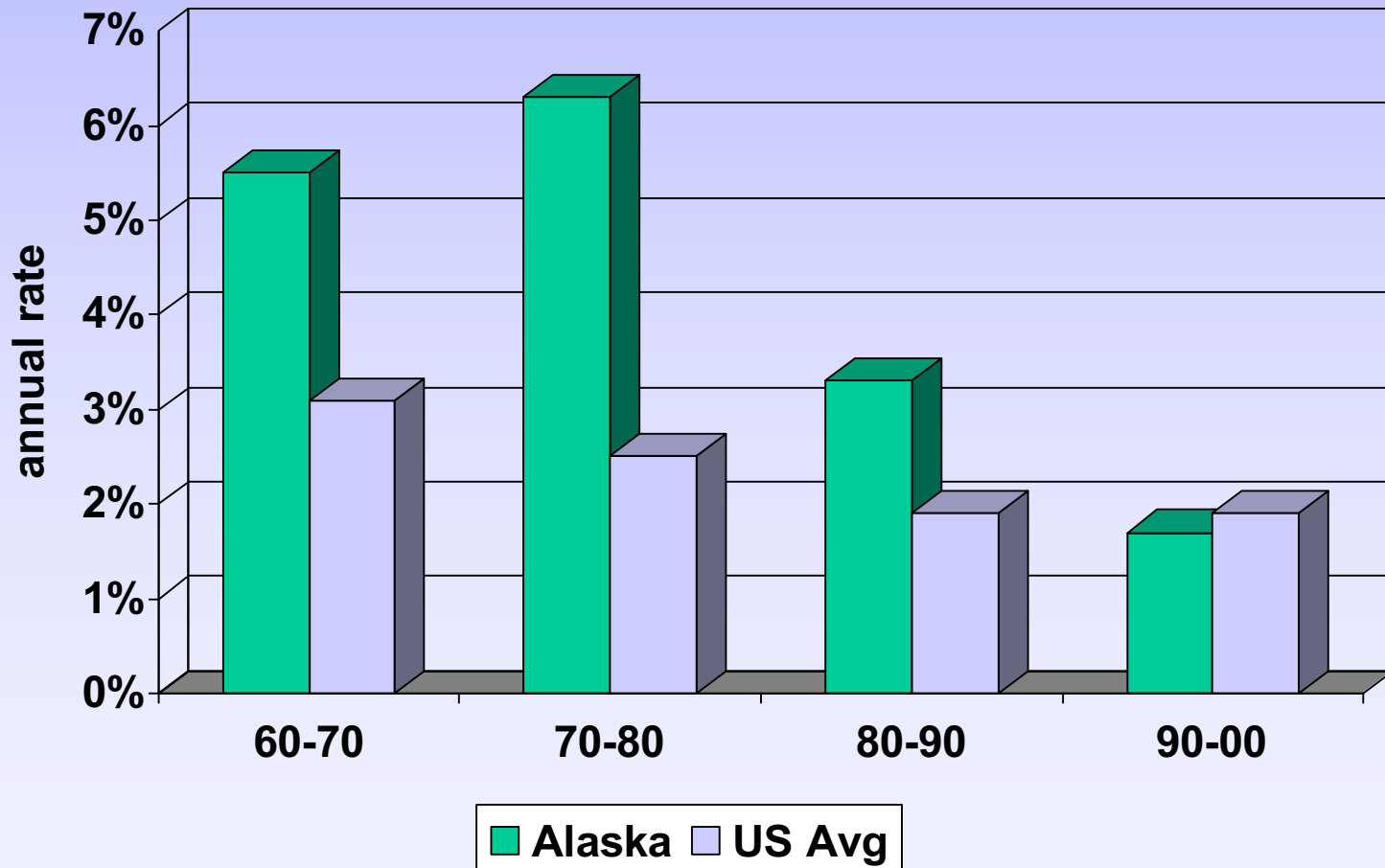
Alaska Economics: The Personal Assets Sector



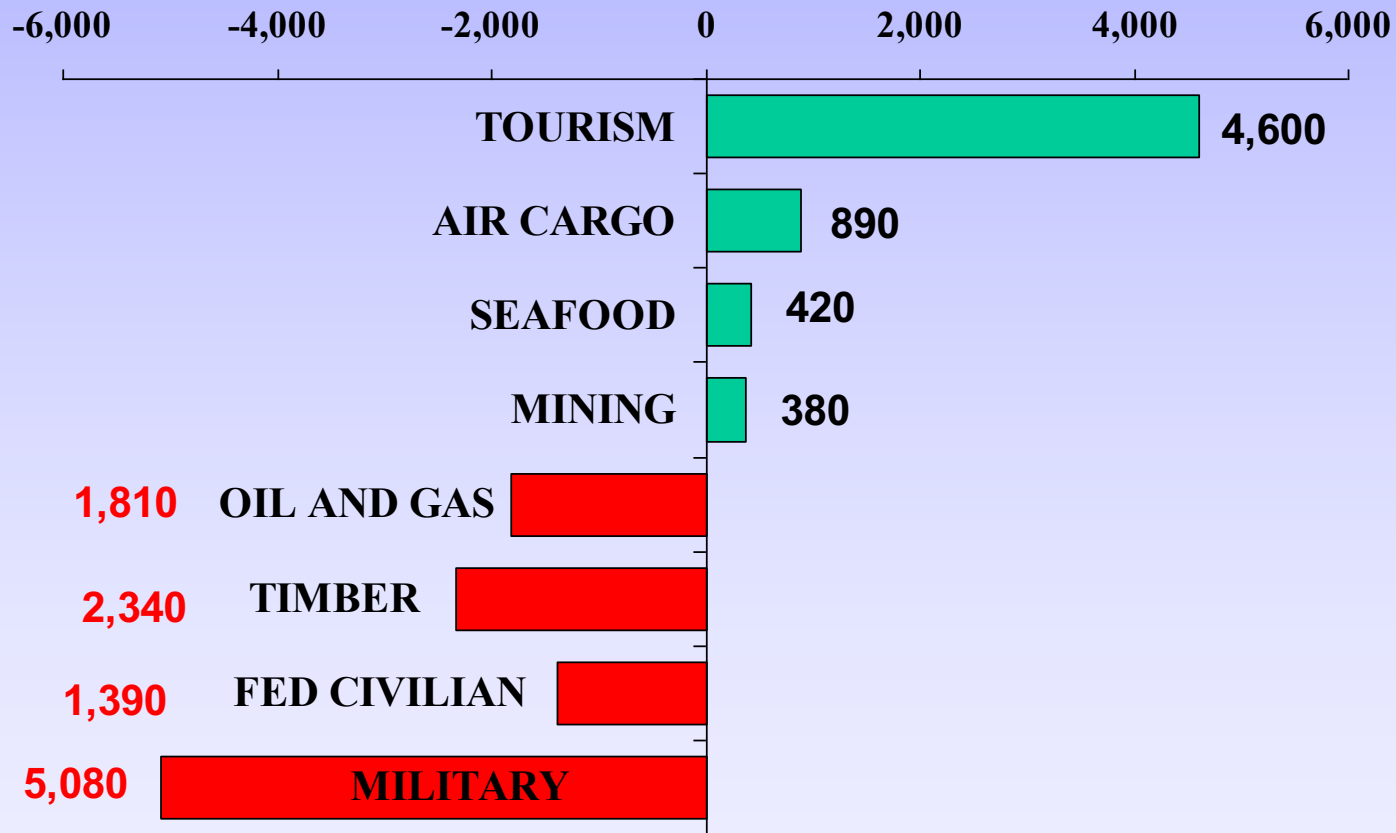
Alaska Economics

- The Structure of the Economy
- **Recent Economic History**
 - **Decelerating Growth**
- Population Trends
- A Look to the Future
- State Finances
- The Economic Regions of Alaska

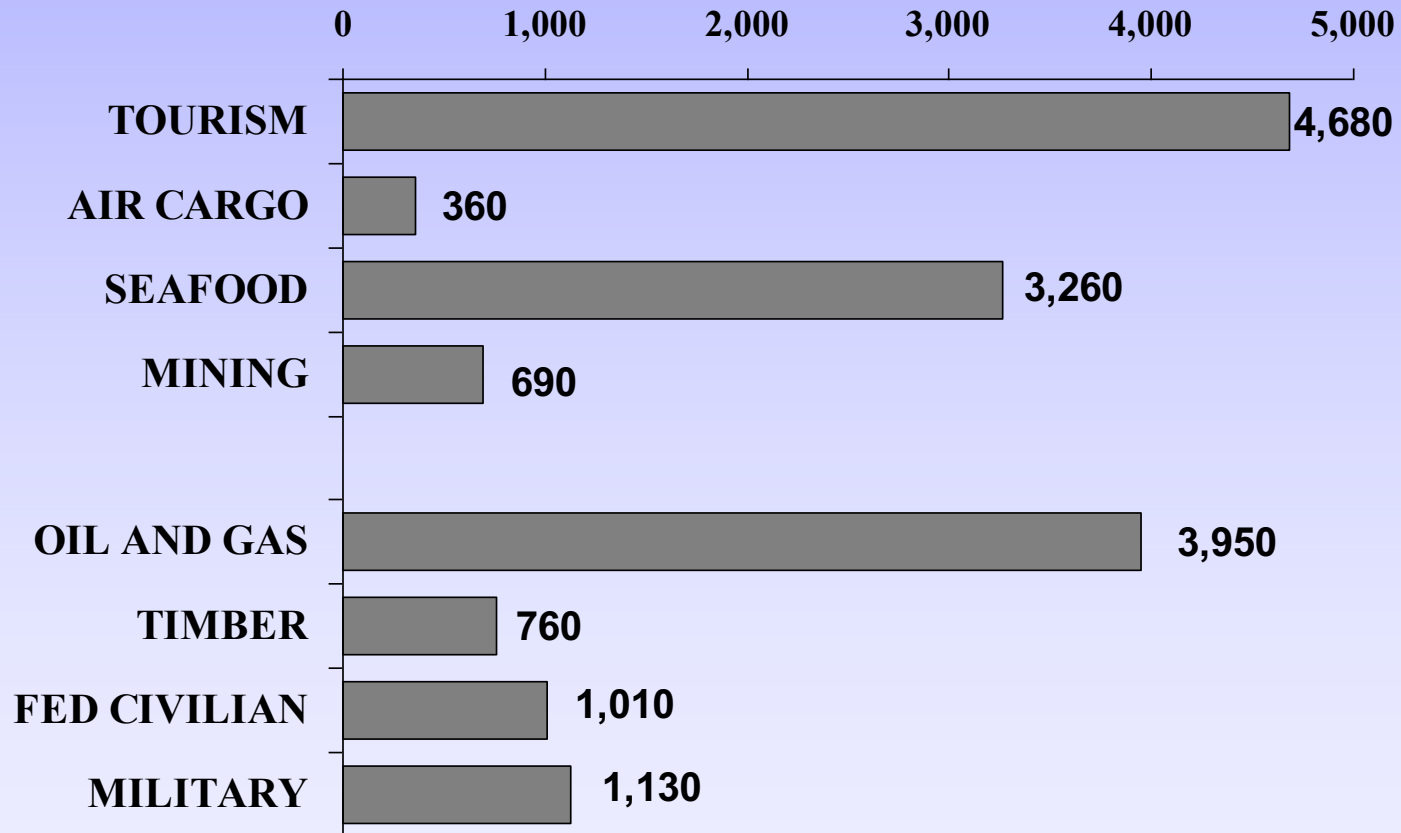
Employment Growth Rate is Slowing



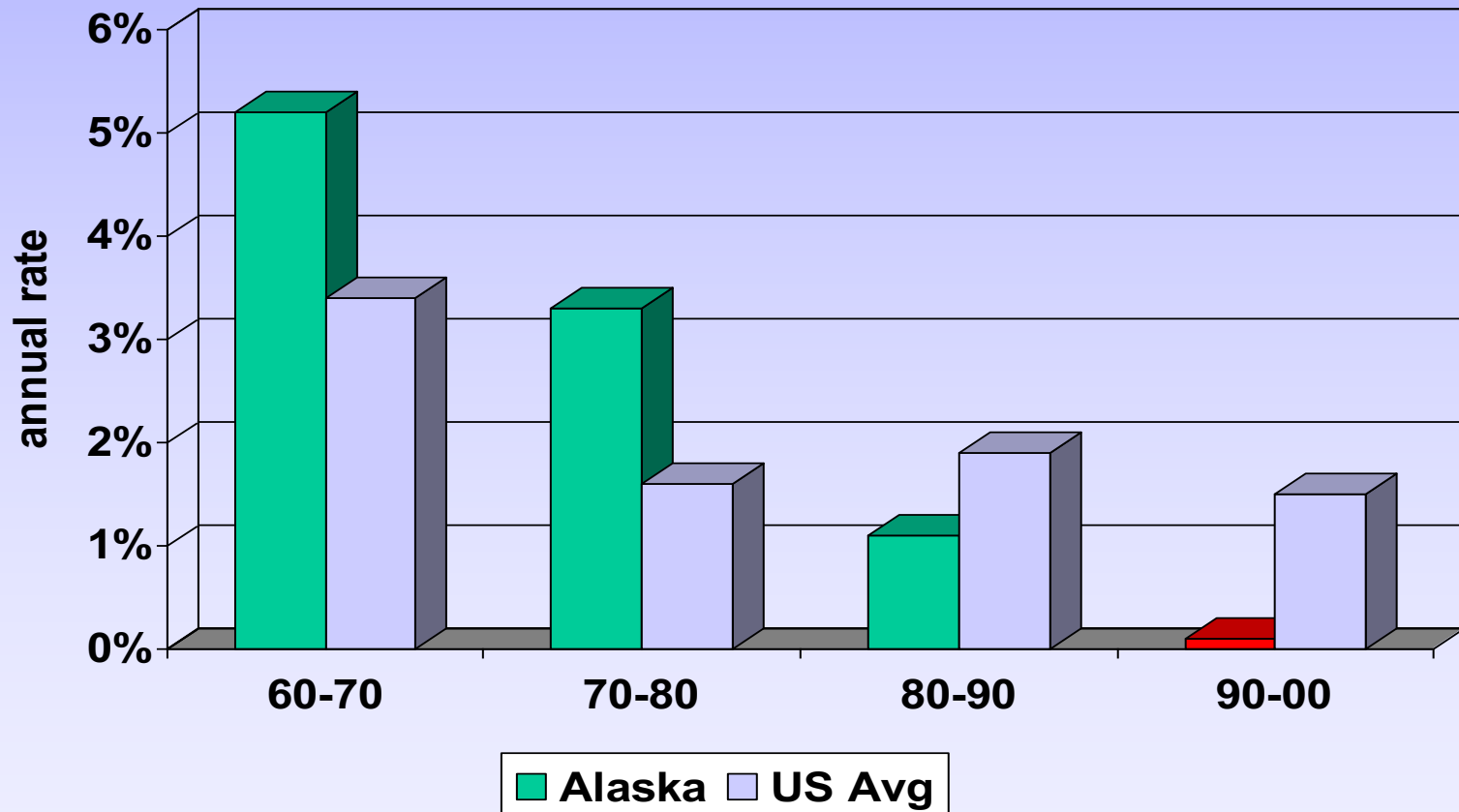
Alaska Lost 4,000 Basic Jobs in the 1990's



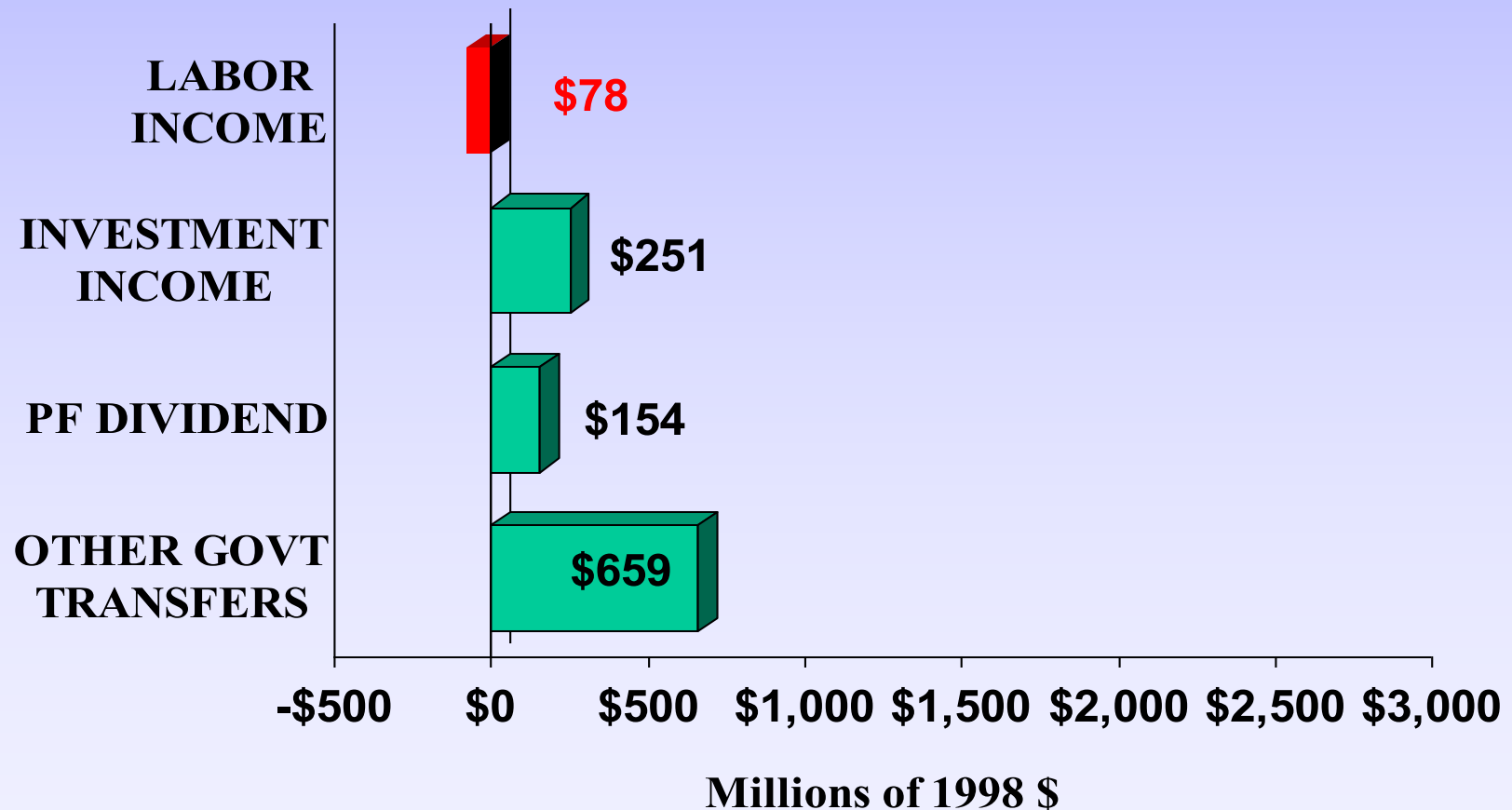
Alaska Gained 16,000 Basic Jobs in the 1980's



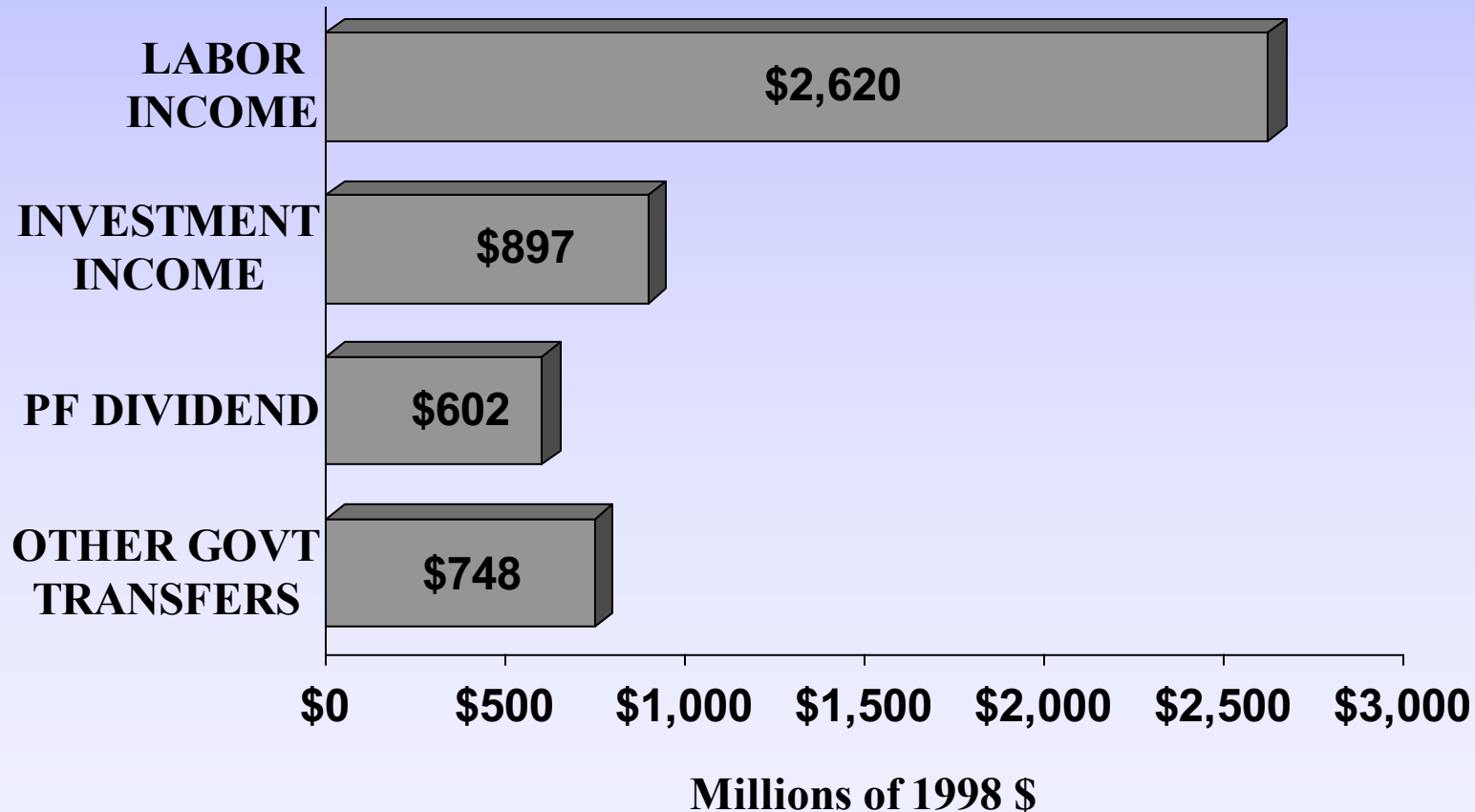
Per Capita Personal Income Growth Rate is Down



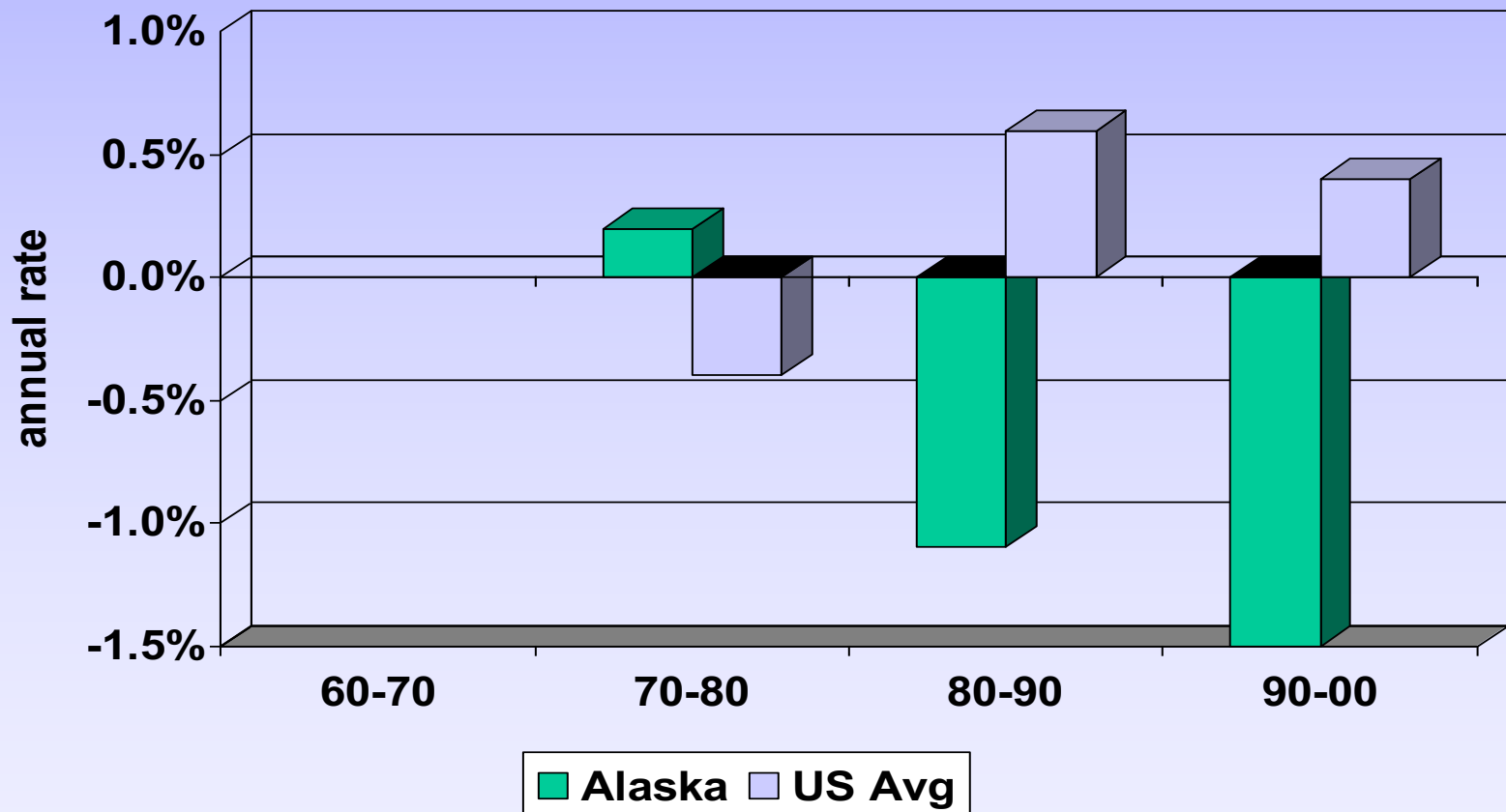
REAL PERSONAL INCOME: Growth Since 1990



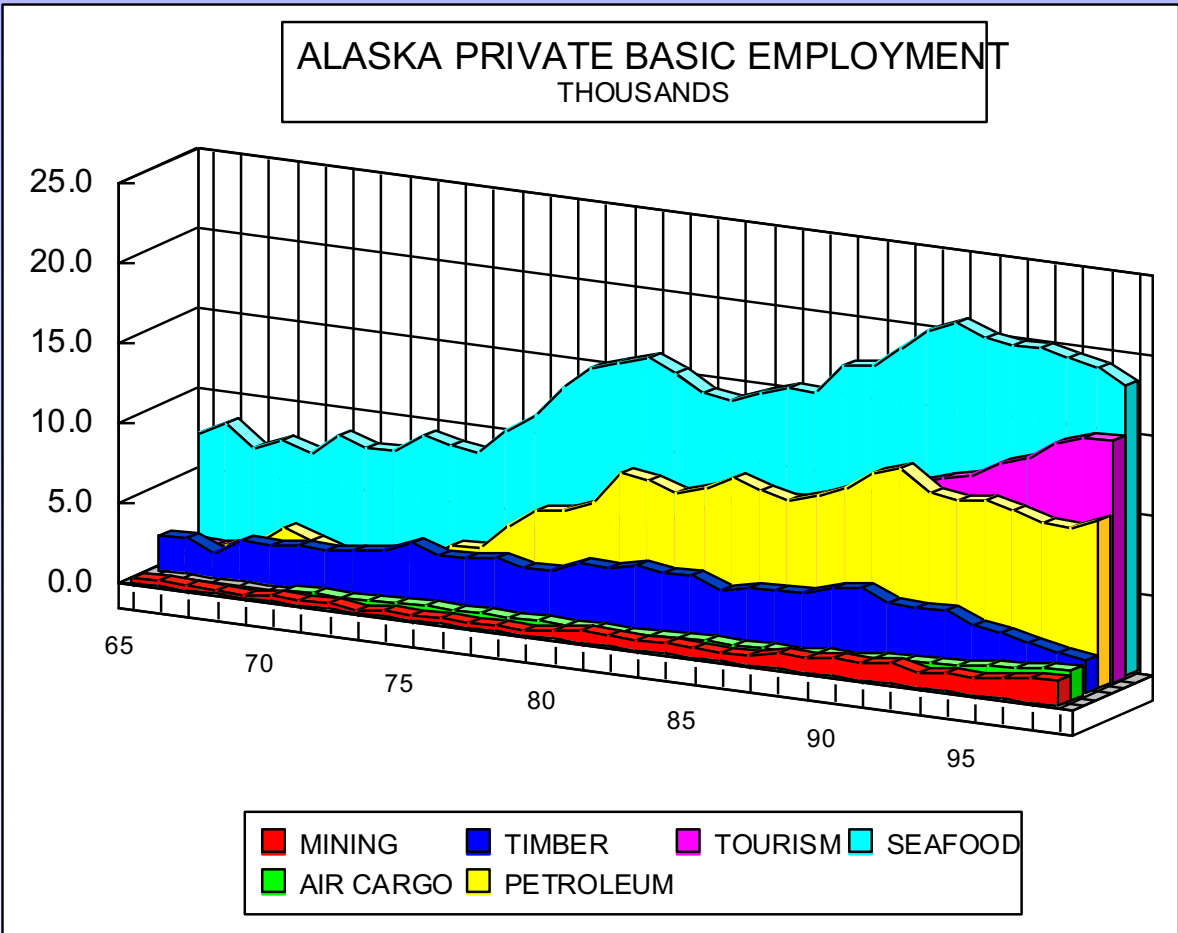
REAL PERSONAL INCOME: Growth 1980 to 1990



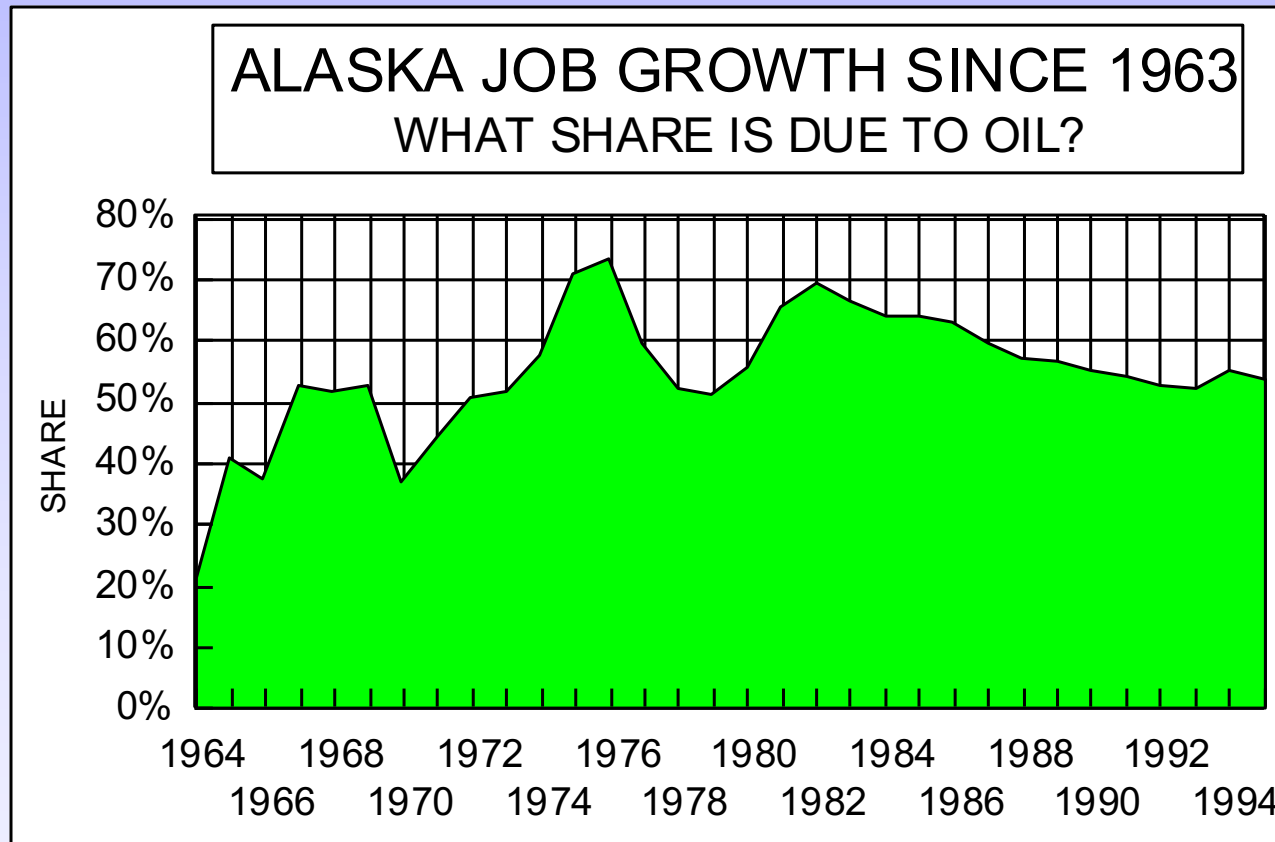
AVERAGE PAYCHECK: Falling



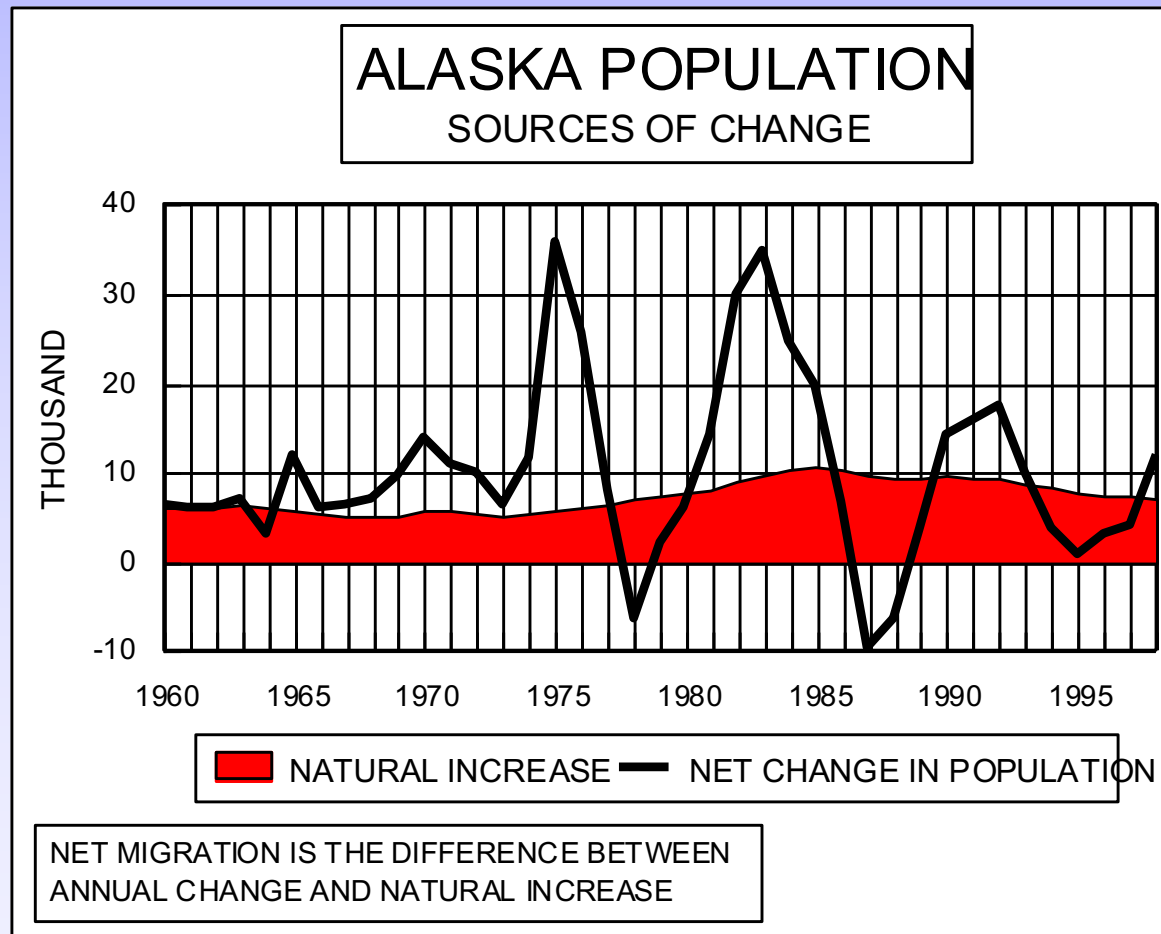
Natural Resource Job Growth



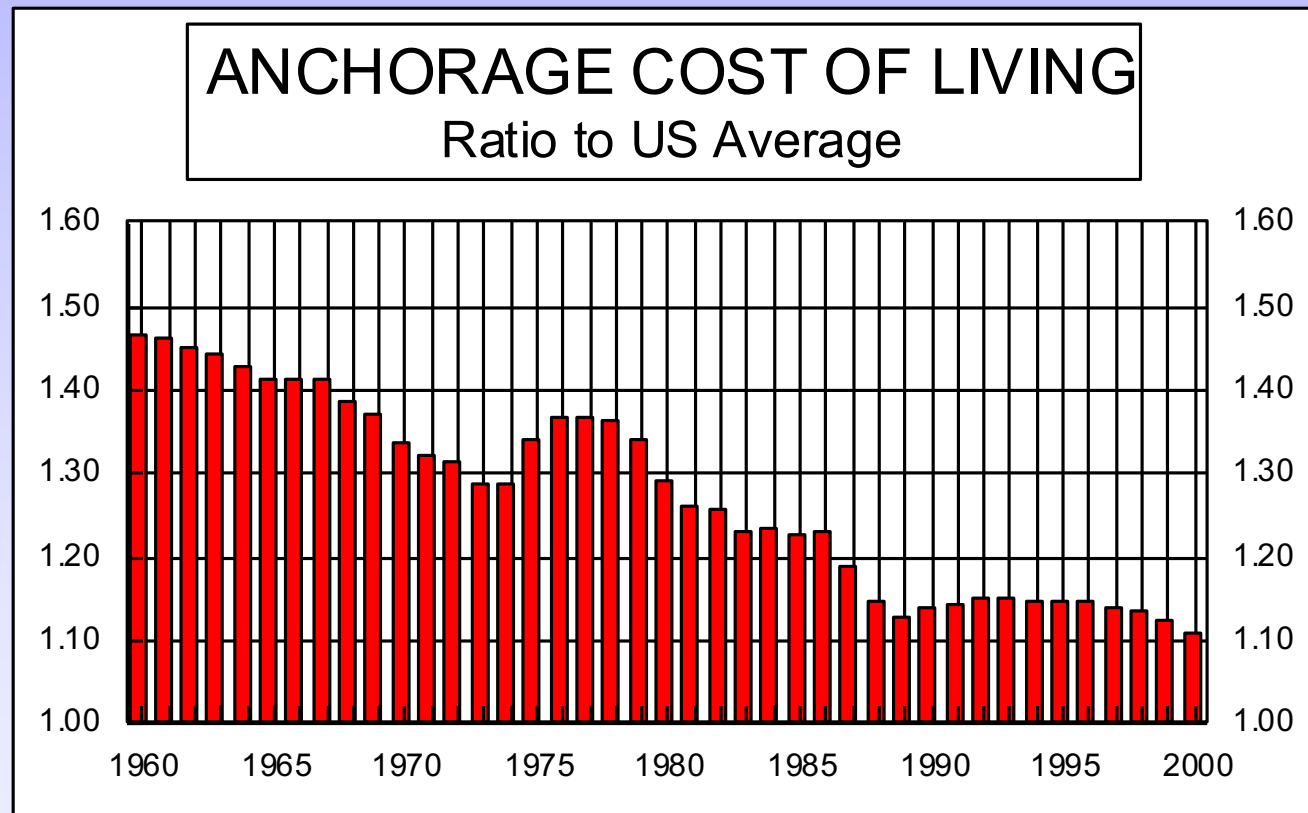
A Large Share of Growth is Due to Oil



Population Growth Cycles Follow Job Growth

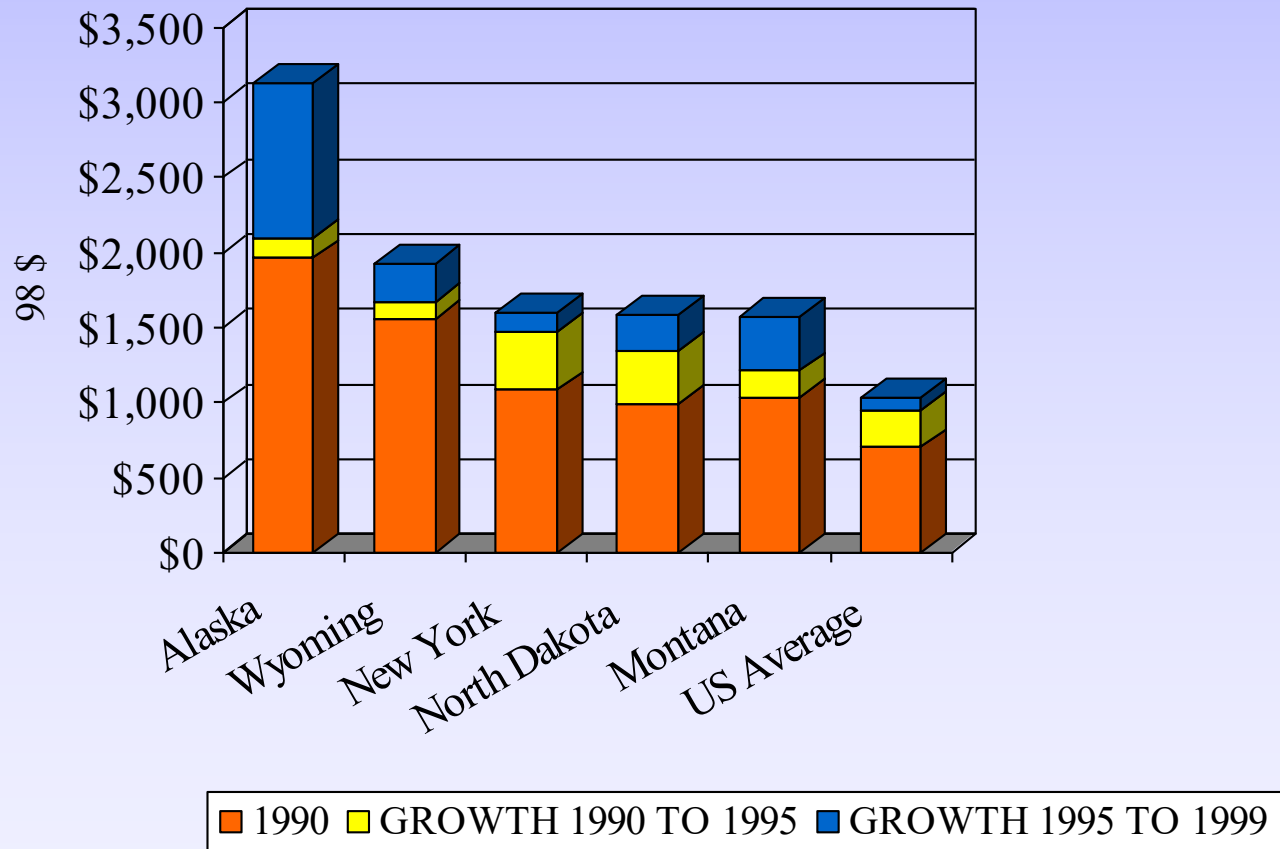


Growth Drives Down the Cost of Living



Economic Driver #1.

FEDERAL AID PER CAPITA: HIGHEST STATES IN 99



Federal Grants: 1999 (Million \$)

• TOTAL	\$1,932	• Jobs and Training Admin	\$ 56
• Highways	\$362	• NOAA	\$ 37
• Medical Assistance	\$282	• Justice Programs	\$ 32
• Indian Health Service	\$259	• Rural Water/Sewer	\$ 32
• Health/Human Service	\$142	• NSF	\$ 18
• Bureau of Indian Affairs	\$109	• Alcohol/Drug Abuse	\$ 15
• Impact Aid	\$101	• Disease Control	\$ 13
• Environmental Protection	\$ 84	• Economic Development	\$ 12
• Federal Aviation Admin	\$ 79	• Energy	\$ 11
• K-12 Education	\$ 76	• Housing	\$ 11
• Food/Nutrition Programs	\$ 61	• All Other	\$140

Federal Payments to Persons: 1999 (Million \$)

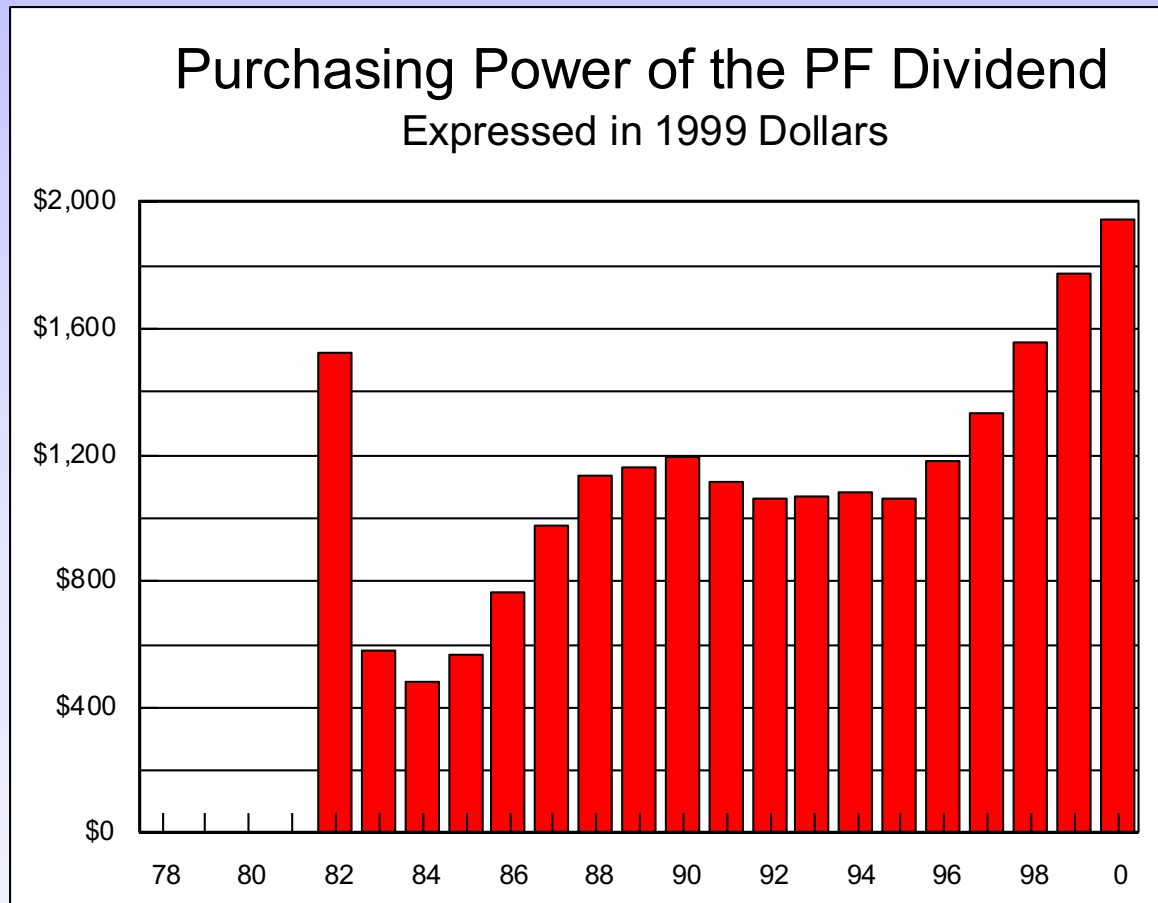
- TOTAL \$1,232

- RETIREMENT AND DISABILITY
 - Social Security \$453
 - Federal Retirement \$123
 - Veterans Benefits \$ 71
 - Other \$140

- OTHER
 - Medicare \$161
 - Unemployment Compensation \$120
 - Food Stamps \$ 49
 - Public and Indian Housing \$ 33
 - Other \$ 83

Economic Driver #2.

The Importance of the Permanent Fund Dividend



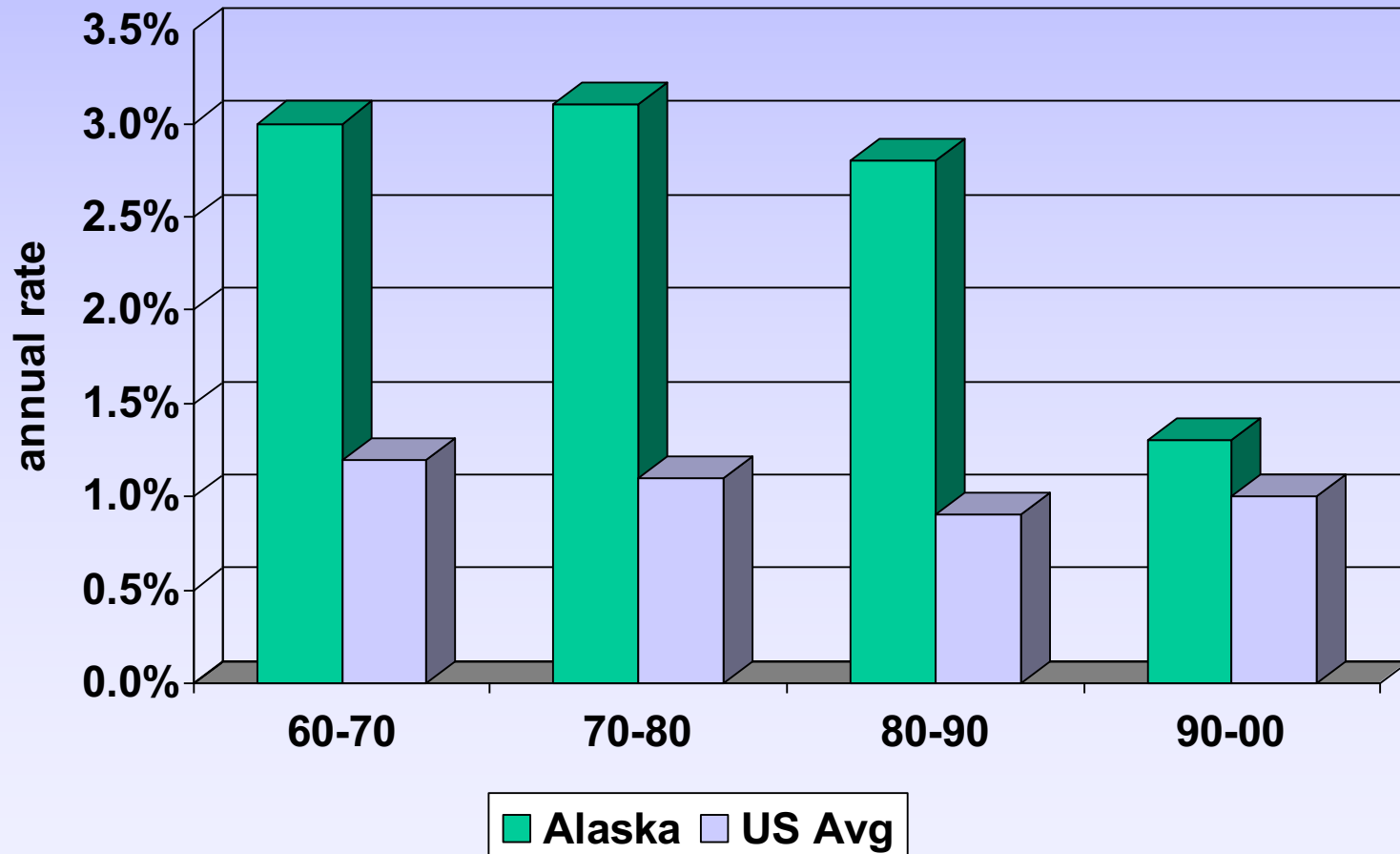
Real Personal Income Growth: 1990 to 1999

- **Total PI Increase (million)** **\$1,784**
 - Fed & State Govt \$\$\$ \$ 1,251
 - PFD \$ 425
 - Fed Trans \$ 420
 - 1/2 Fed Grants \$ 405
 - Govt \$\$\$ Multiplier \$ 375
 - All Other \$ 158

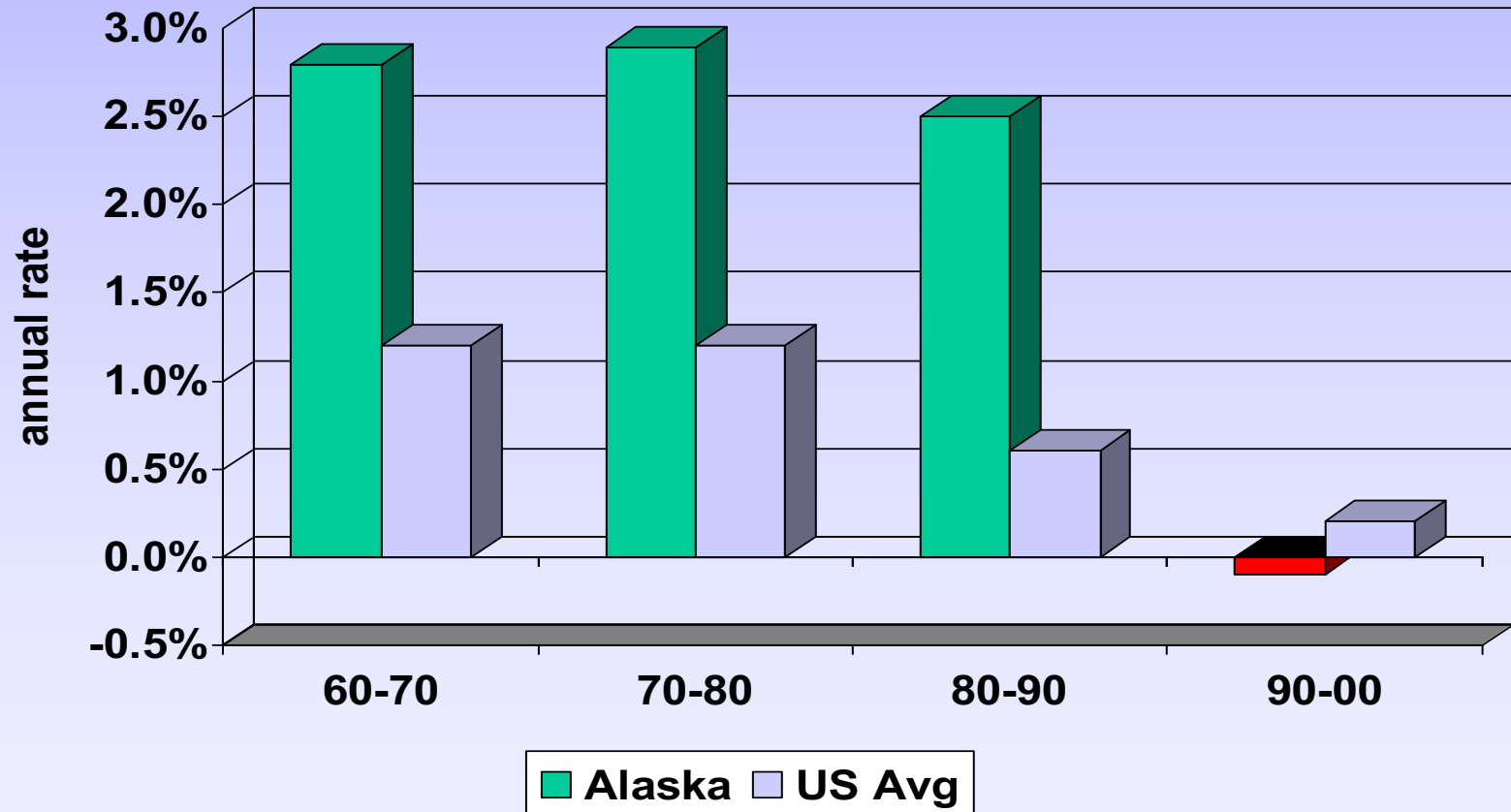
Alaska Economics

- The Structure of the Economy
- Recent Economic History
- **Population Trends**
 - **Older, More Diverse & Urban**
- A Look to the Future
- State Finances
- The Economic Regions of Alaska

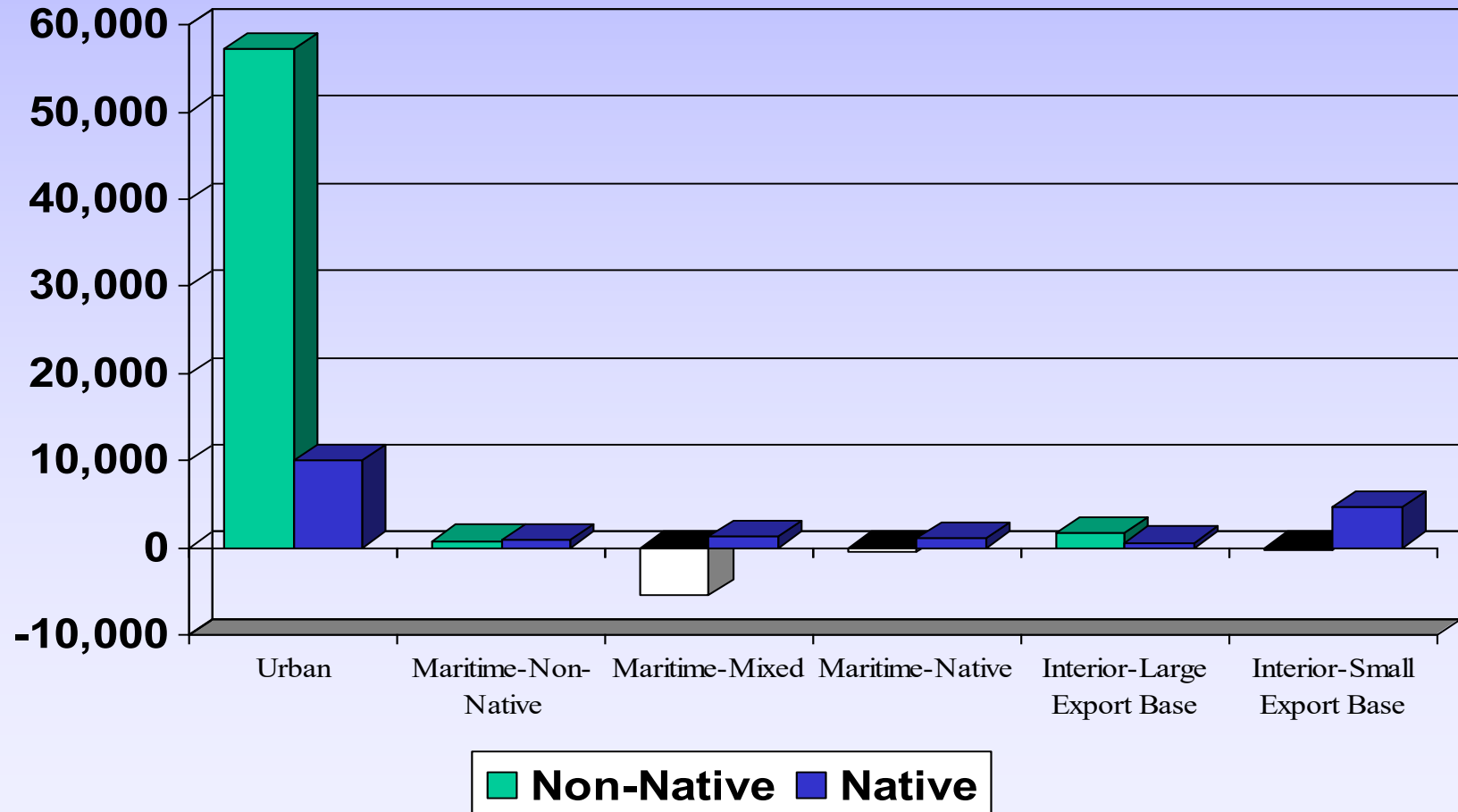
Population Growth Rate is Down to US Average



POPULATION UNDER 40: No Growth



POPULATION CHANGE: 1990 to 1999



Alaska Economics

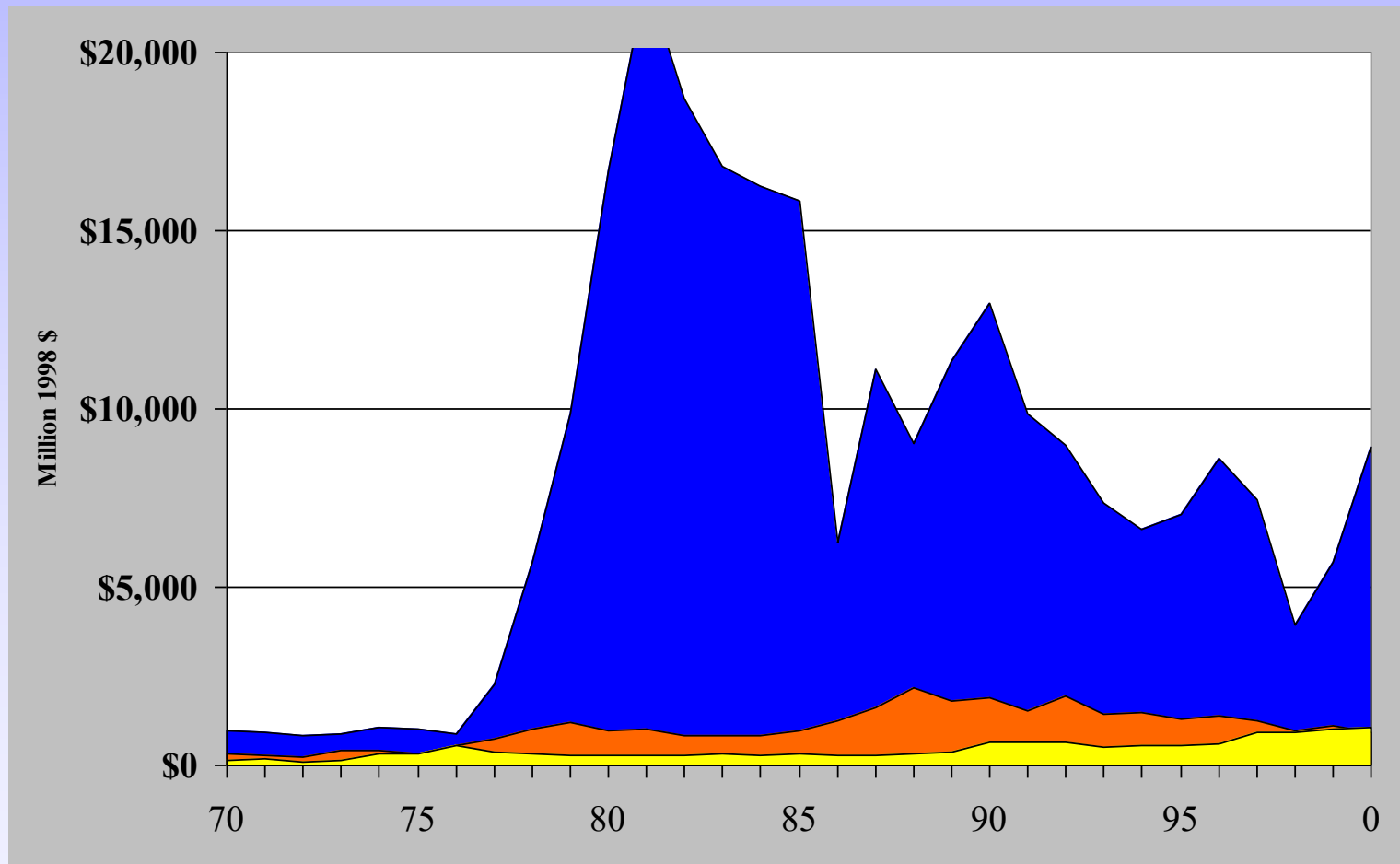
- The Structure of the Economy
- Recent Economic History
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- **A Look to the Future**
 - **Uncertain Growth Prospects**
- State Finances
- The Economic Regions of Alaska

Basic Sectors with Growth Potential

- Petroleum
- Tourism
- Mining
- International Air Cargo
- Footloose Services
- Military

The Post-Prudhoe Blues

Market Value of Oil (and other resources)

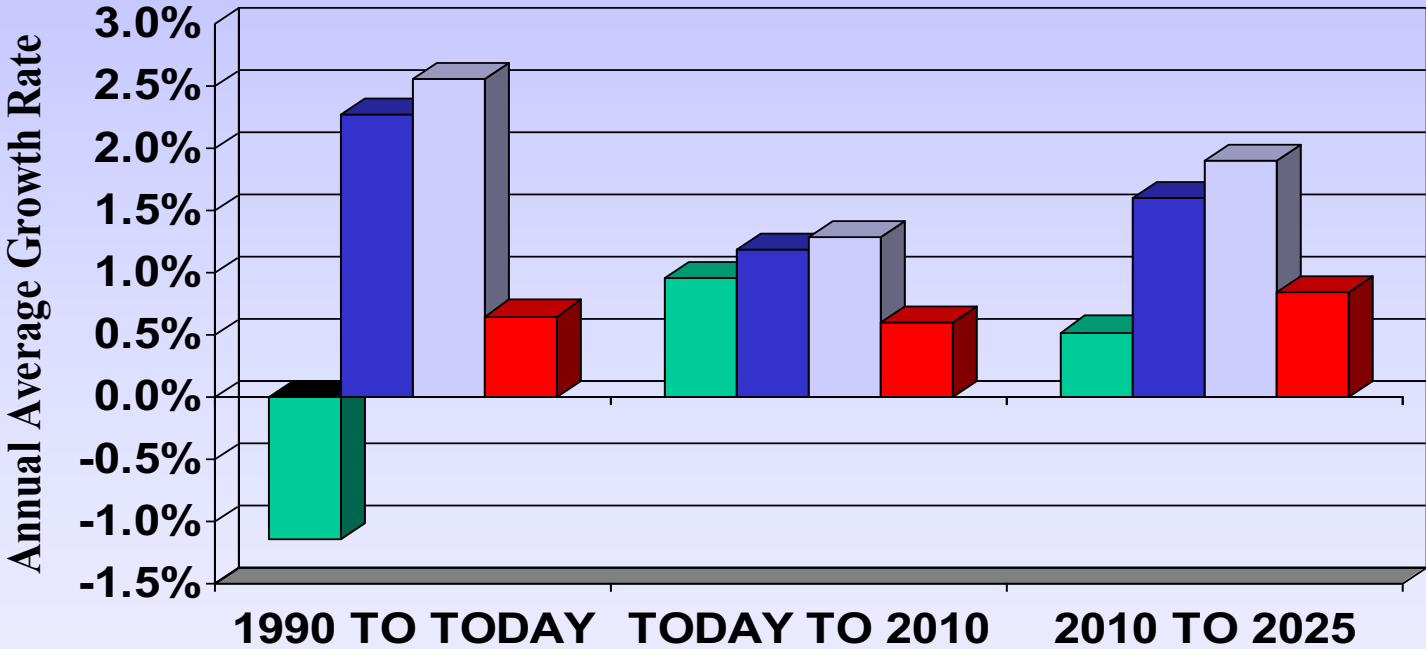


Natural Gas Projects: Construction Jobs

(Total Man Years)

	Over the Top	Highway	Instate with LNG	Alyeska (actual)
AK Cost (Billion \$)	\$2.25	\$3.5	\$6	\$17
AK Pipe (Miles)	300	600	800	800
Conditioning Plant	3,000	3,000	3,000	
Pipeline	3,750	7,500	10,500	
Terminal	-	-	4,500	-
Total in AK	6,750	10,500	18,000	54,000

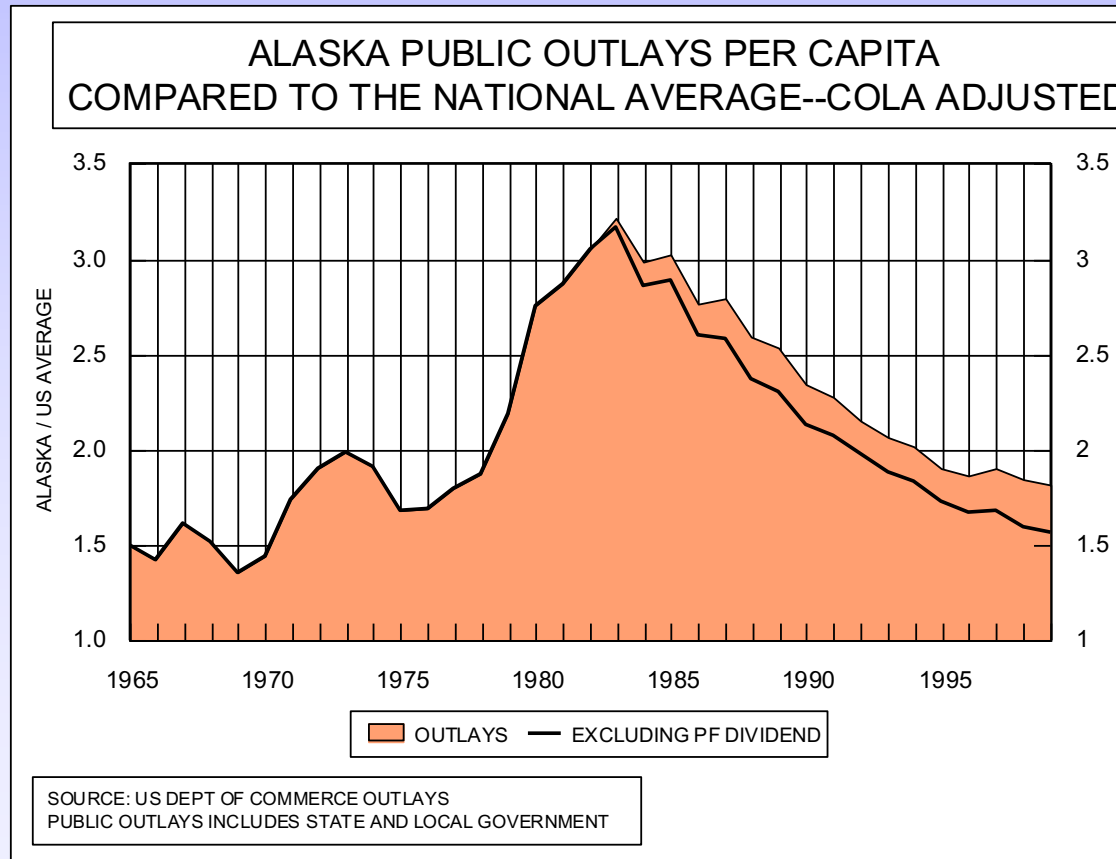
MAP MODEL PROJECTION: JOBS



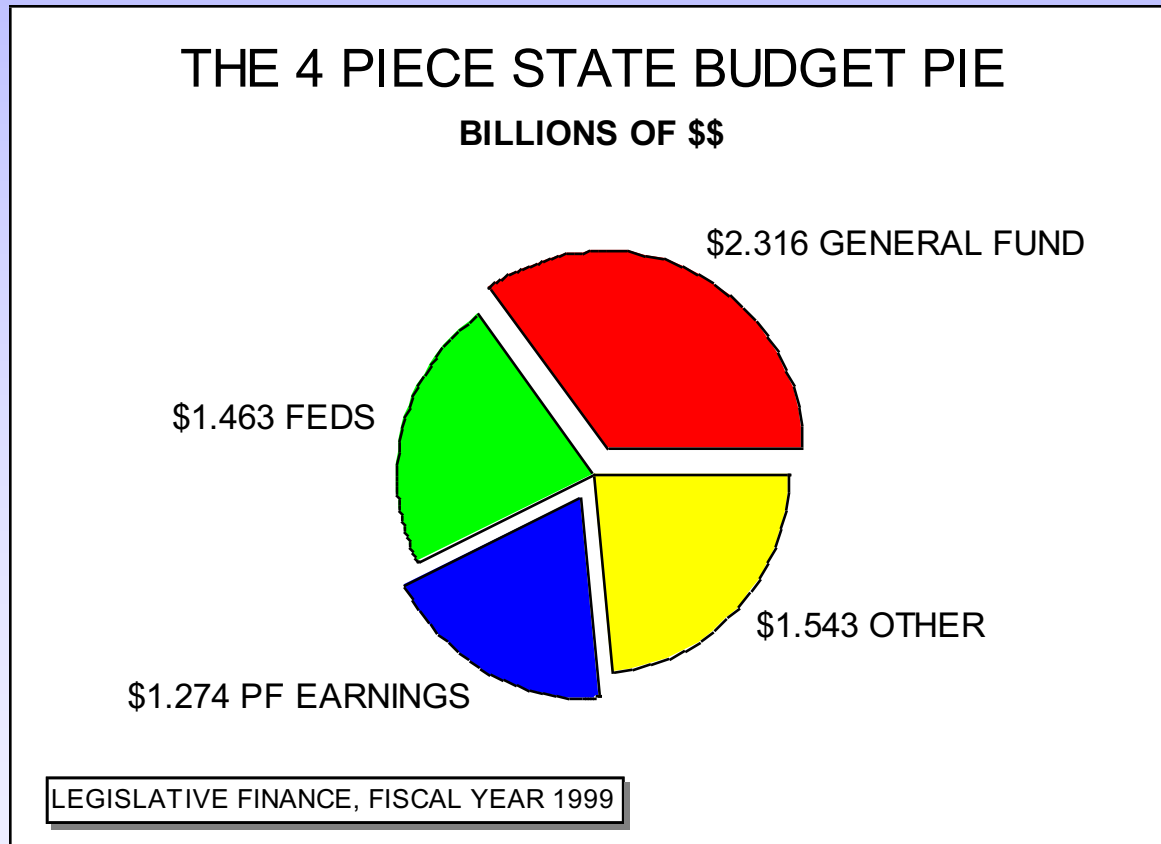
Alaska Economics

- The Structure of the Economy
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- A Look to the Future
- **State Finances**
 - **Chronic Overspending**
- The Economic Regions of Alaska

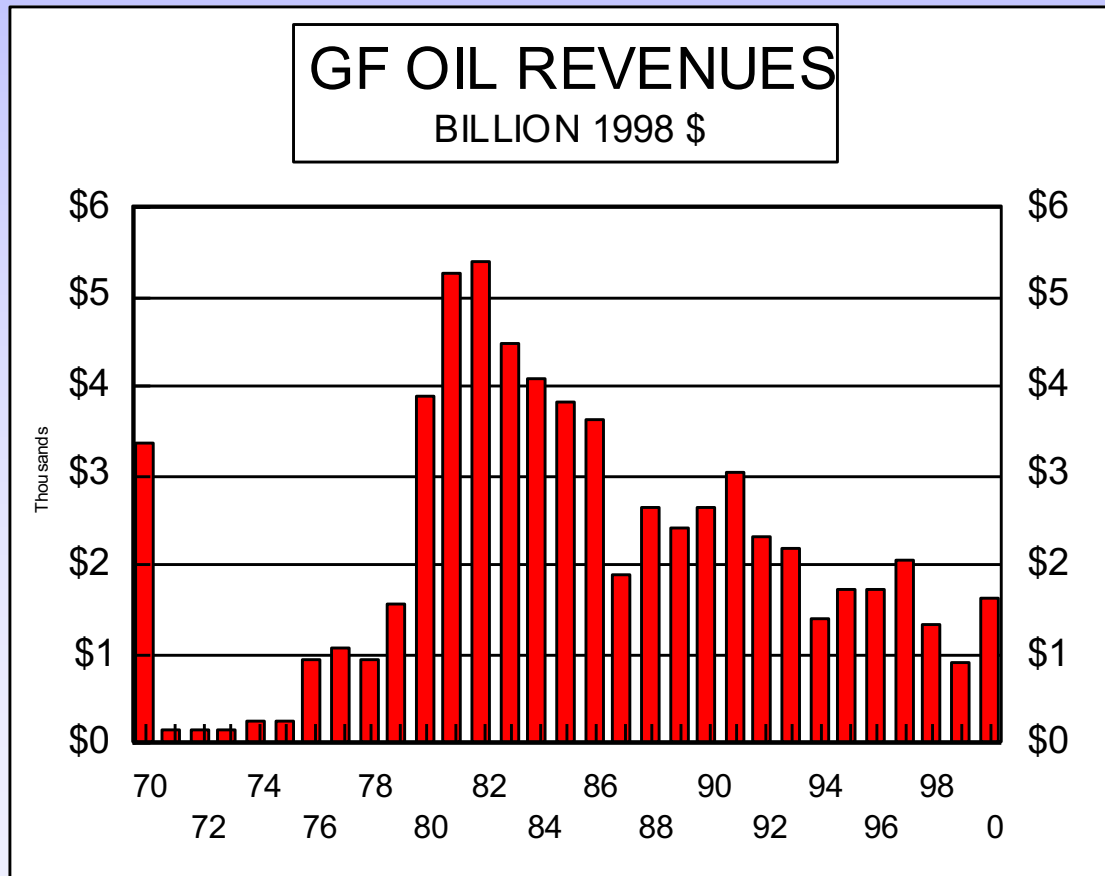
Alaska State Finances: PC State and Local Govt Spending Highest in the Nation



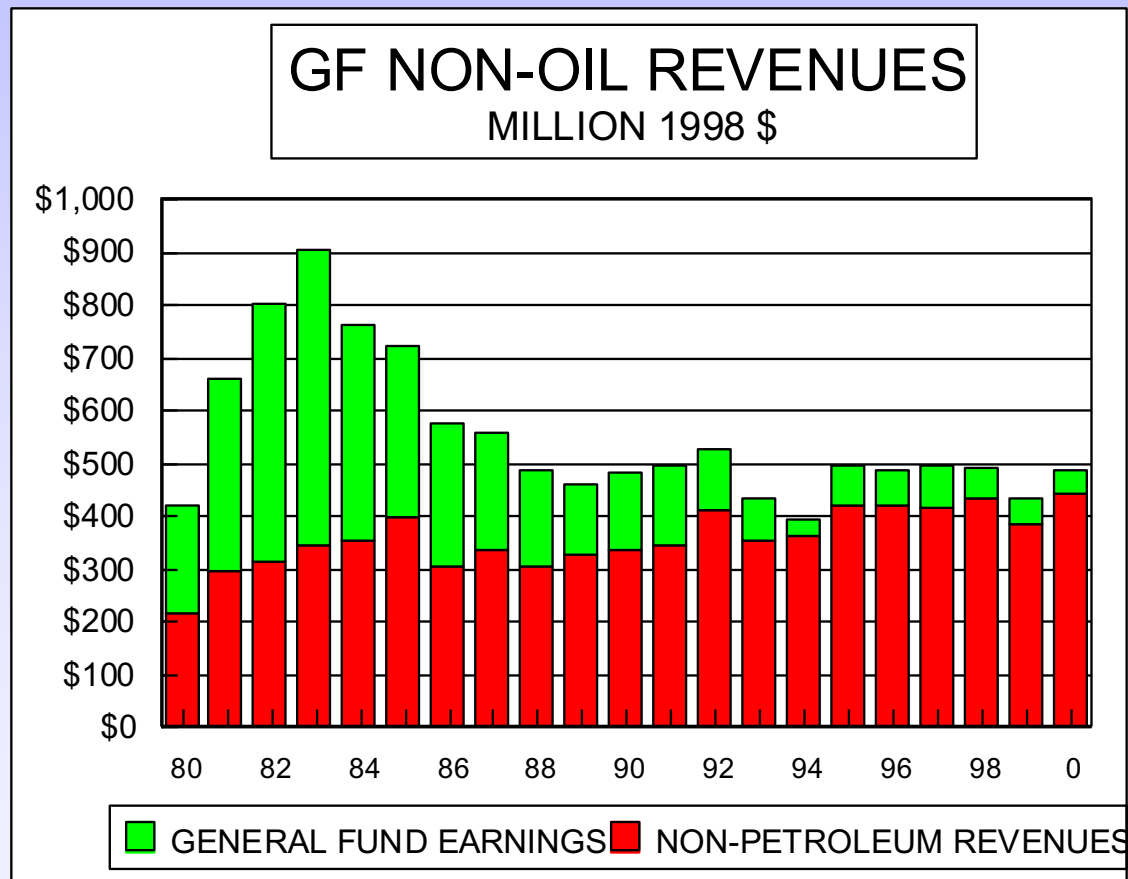
Alaska State Finances: The State Budget Pie



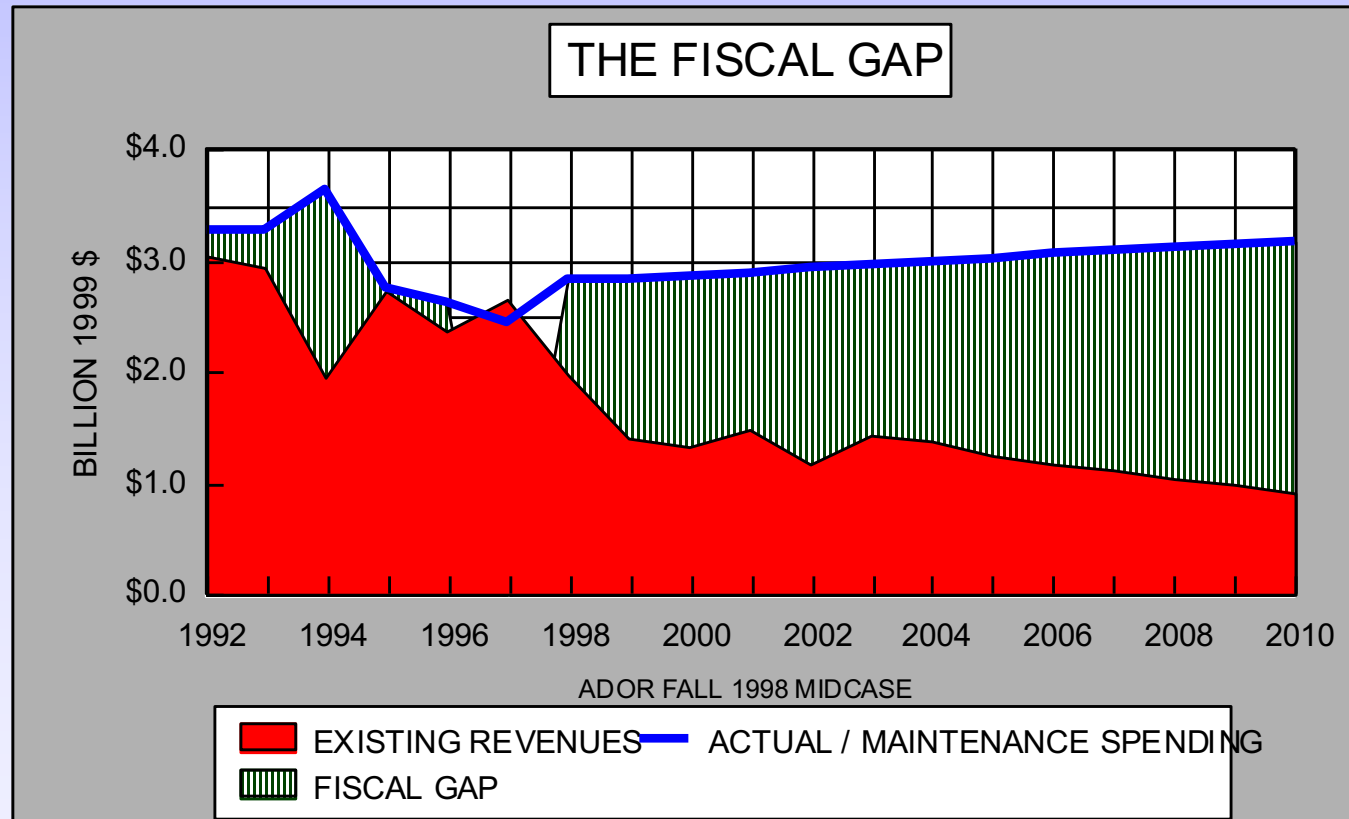
Alaska State Finances: GF Oil Revenues Have Fallen with Production Decline



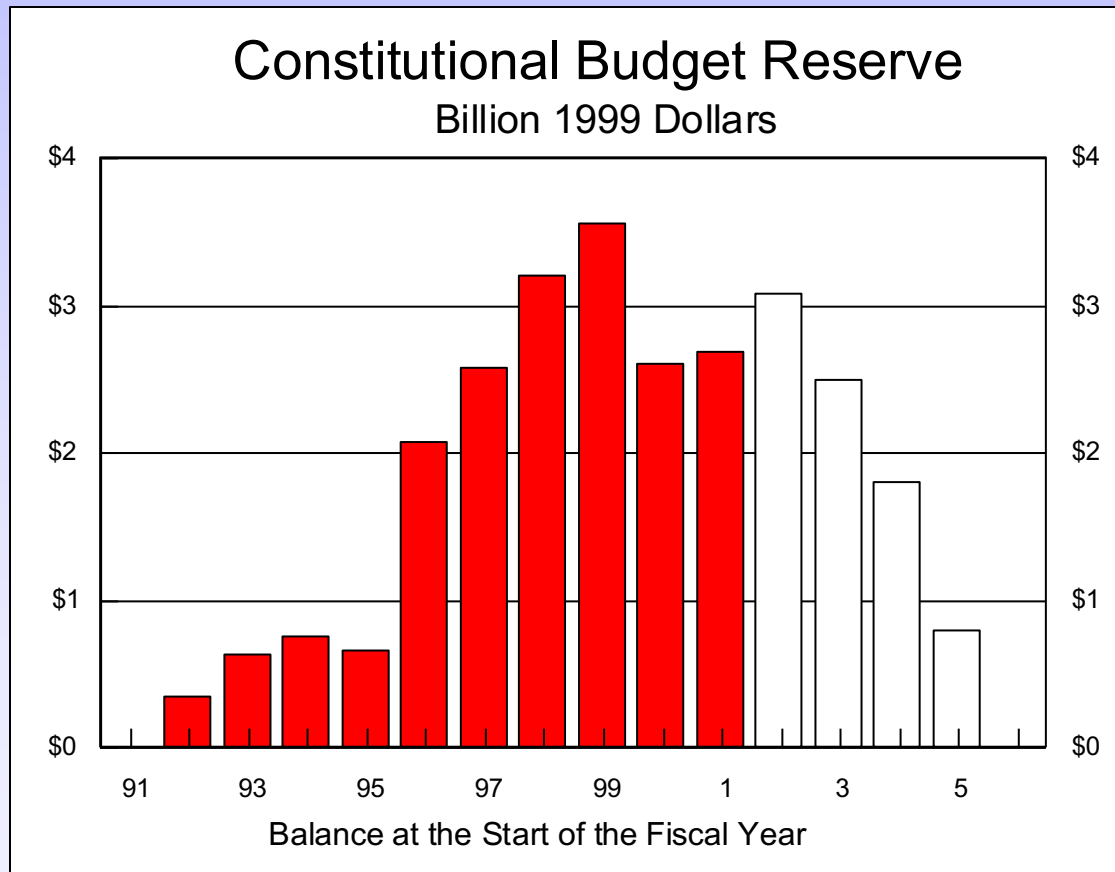
Alaska State Finances: Other GF Revenues Insensitive to Growth



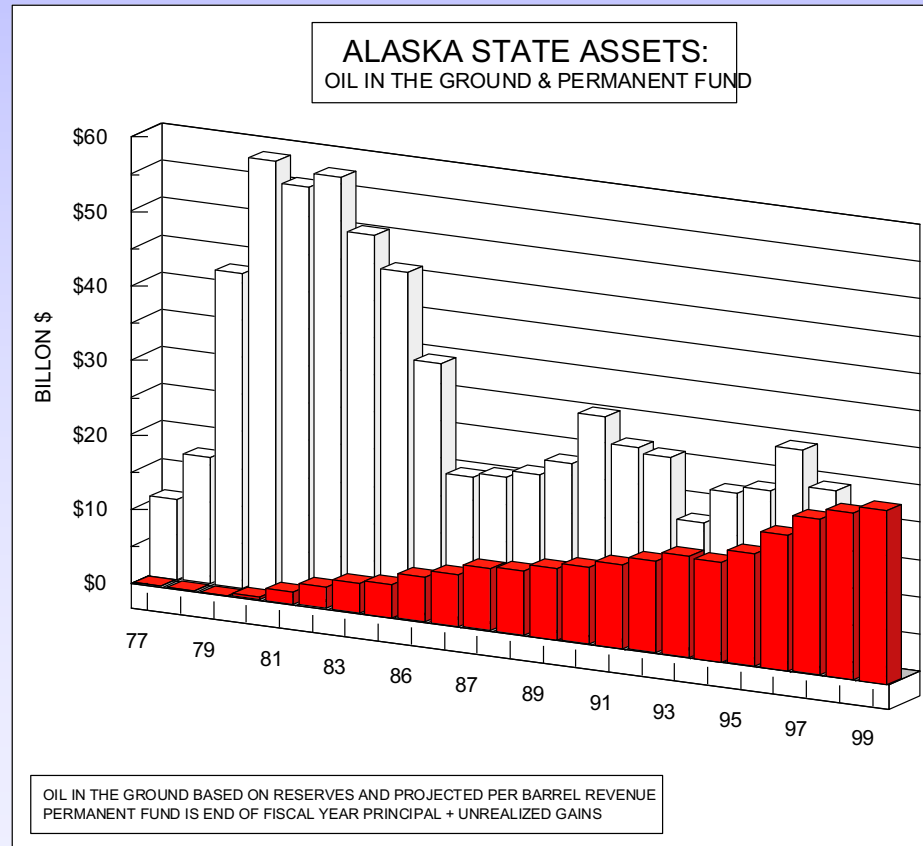
Alaska State Finances: Expenses > Revenues = Fiscal Gap



Alaska State Finances: Draws from the CBR Balance the Budget--Temporarily

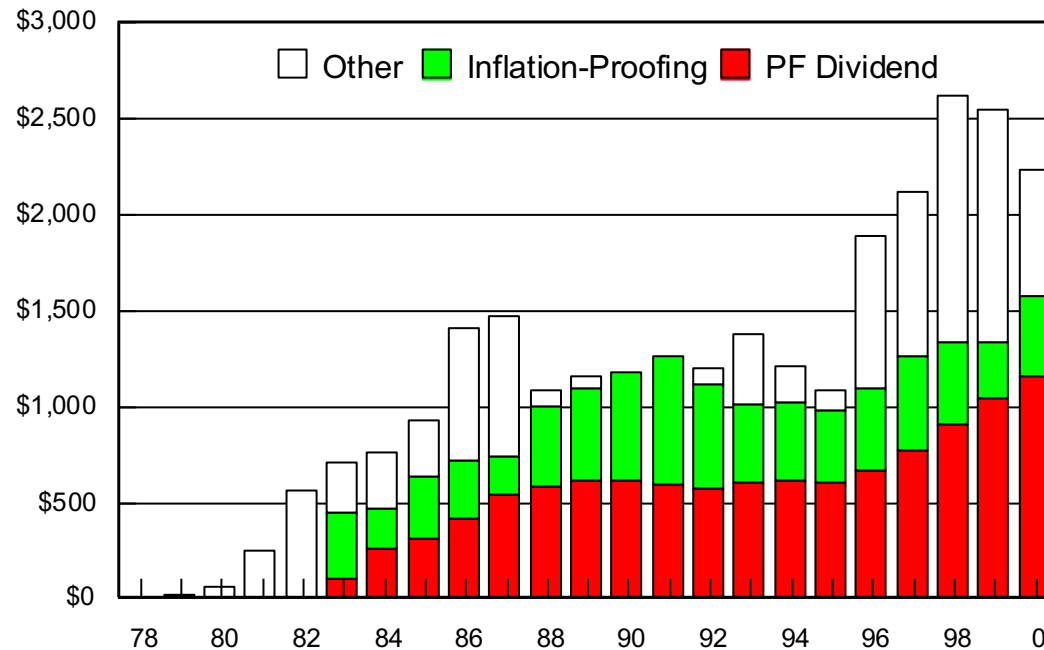


Alaska State Finances: Permanent Fund Growth has Offset Declining Oil



Alaska State Finances: Permanent Fund Earnings is the Biggest State Revenue Source

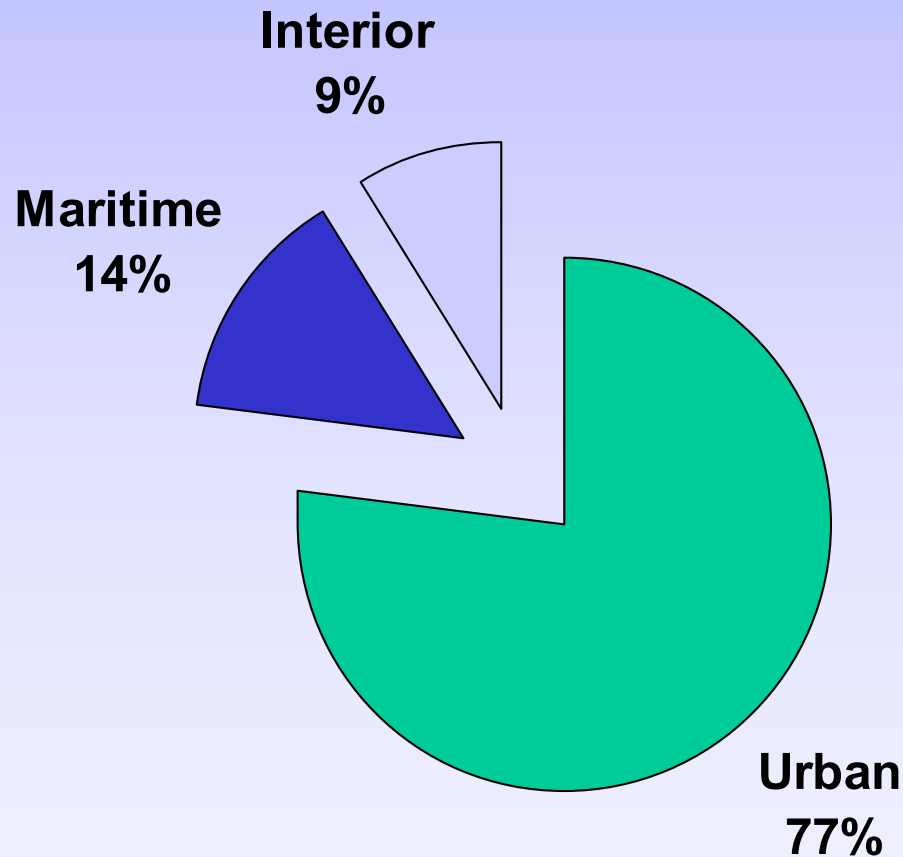
Disposition of Realized Fund Earnings
Million 1999 Dollars



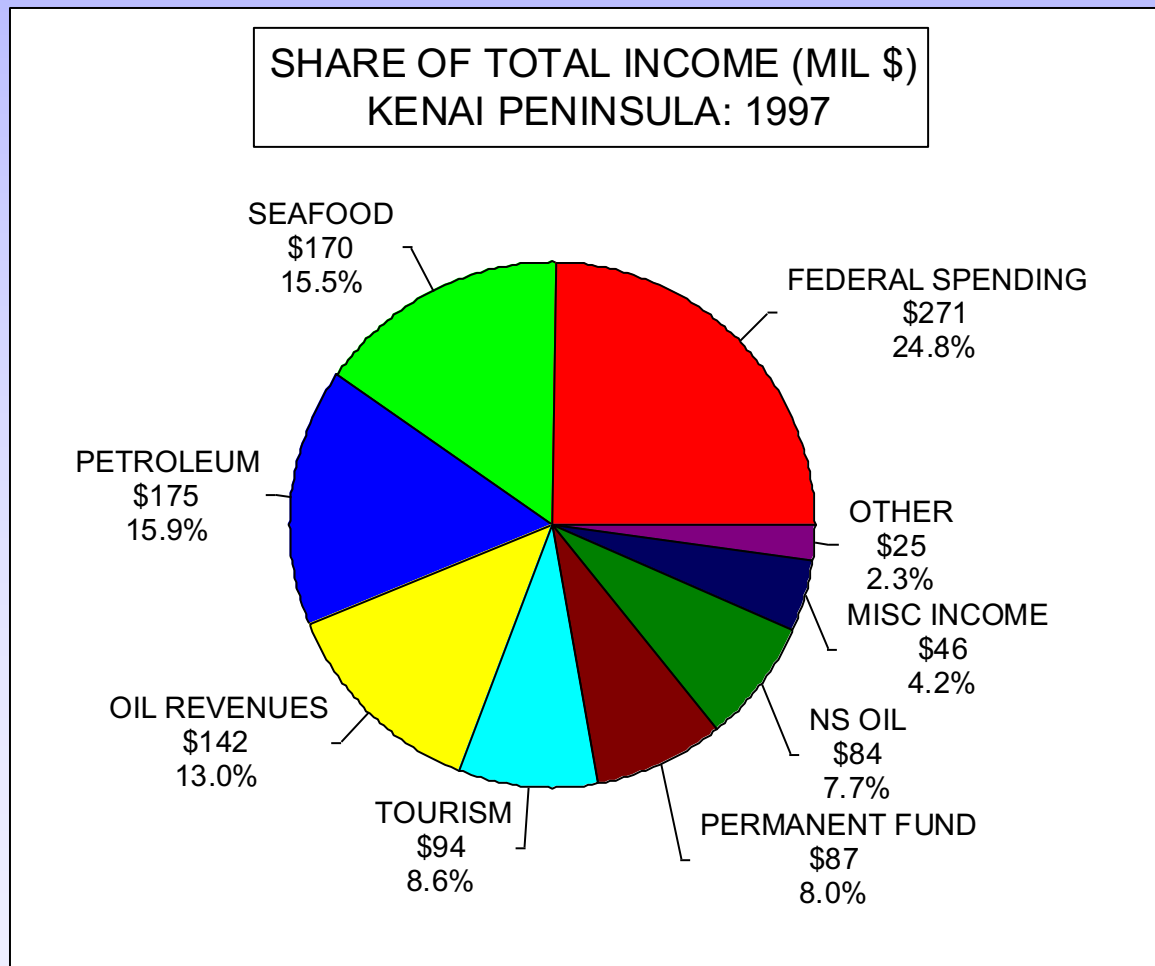
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- **The Economic Regions of Alaska**
 - **Urban, Maritime, Interior**

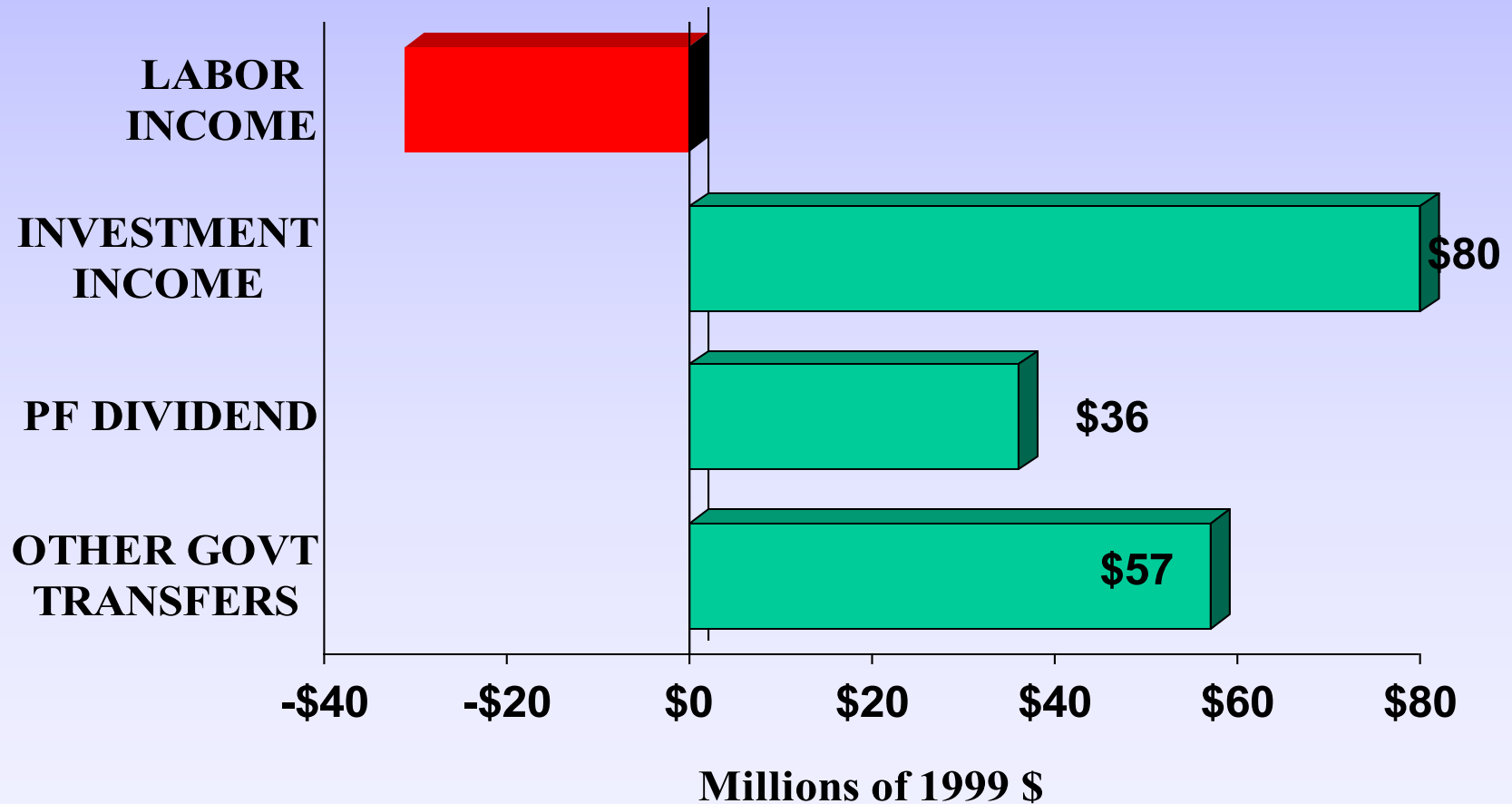
Alaska Regional Economics: Most Jobs are in Urban Alaska



Kenai Economic Base



KENAI Real Personal Income: Growth Since 1990

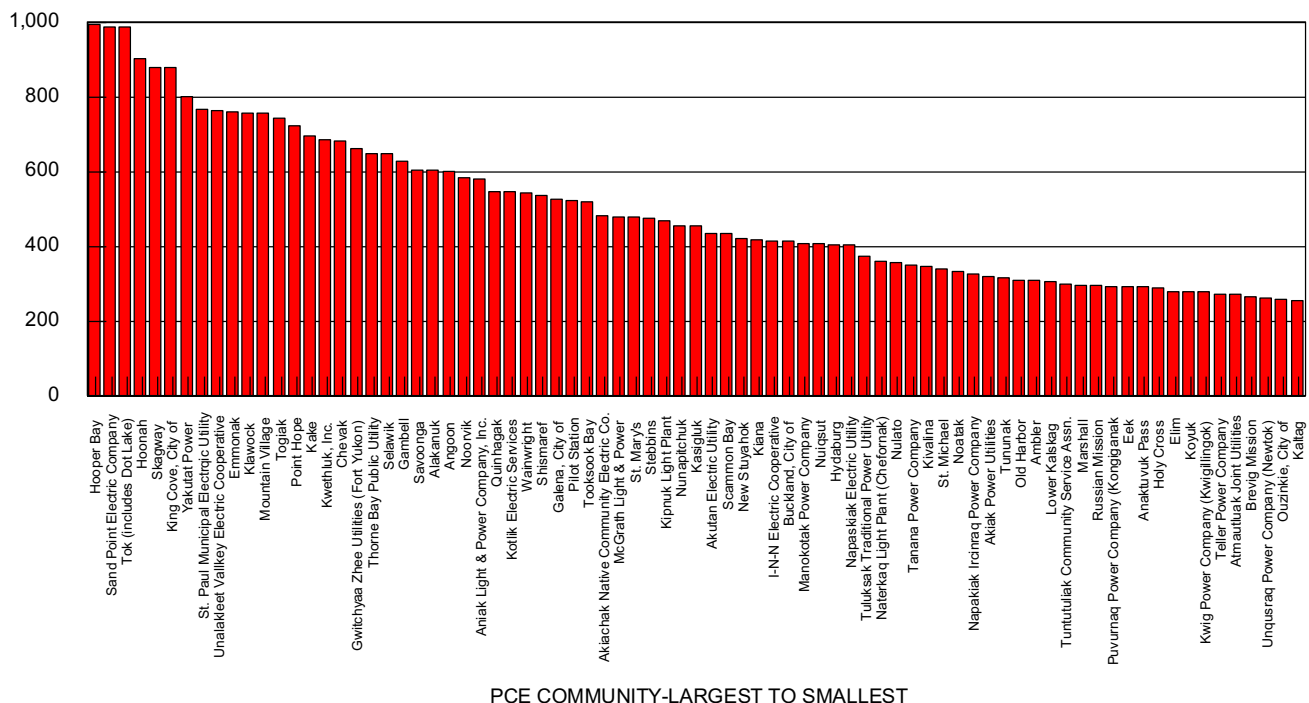


Special Characteristics of Rural/Native Alaska

- **13 Regional Native Corporations**
- **Village Corporations, Tribal Councils, Local Govt**
- **Small, widely scattered communities – off roads**
- **Mixed economies—cash and subsistence**
- **Narrow economic base**
- **Limited employment in market economy**

The Larger Rural Alaska Villages

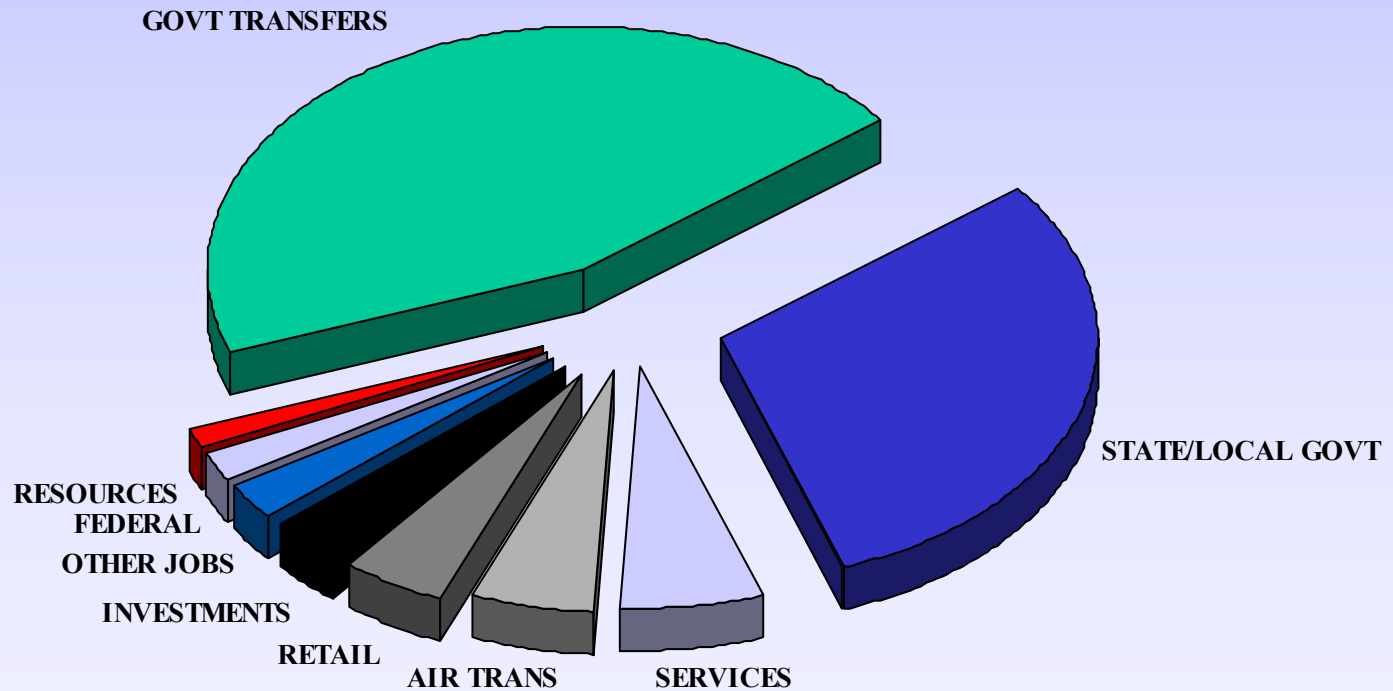
PCE COMMUNITIES
1997 POPULATION (PART 1.)



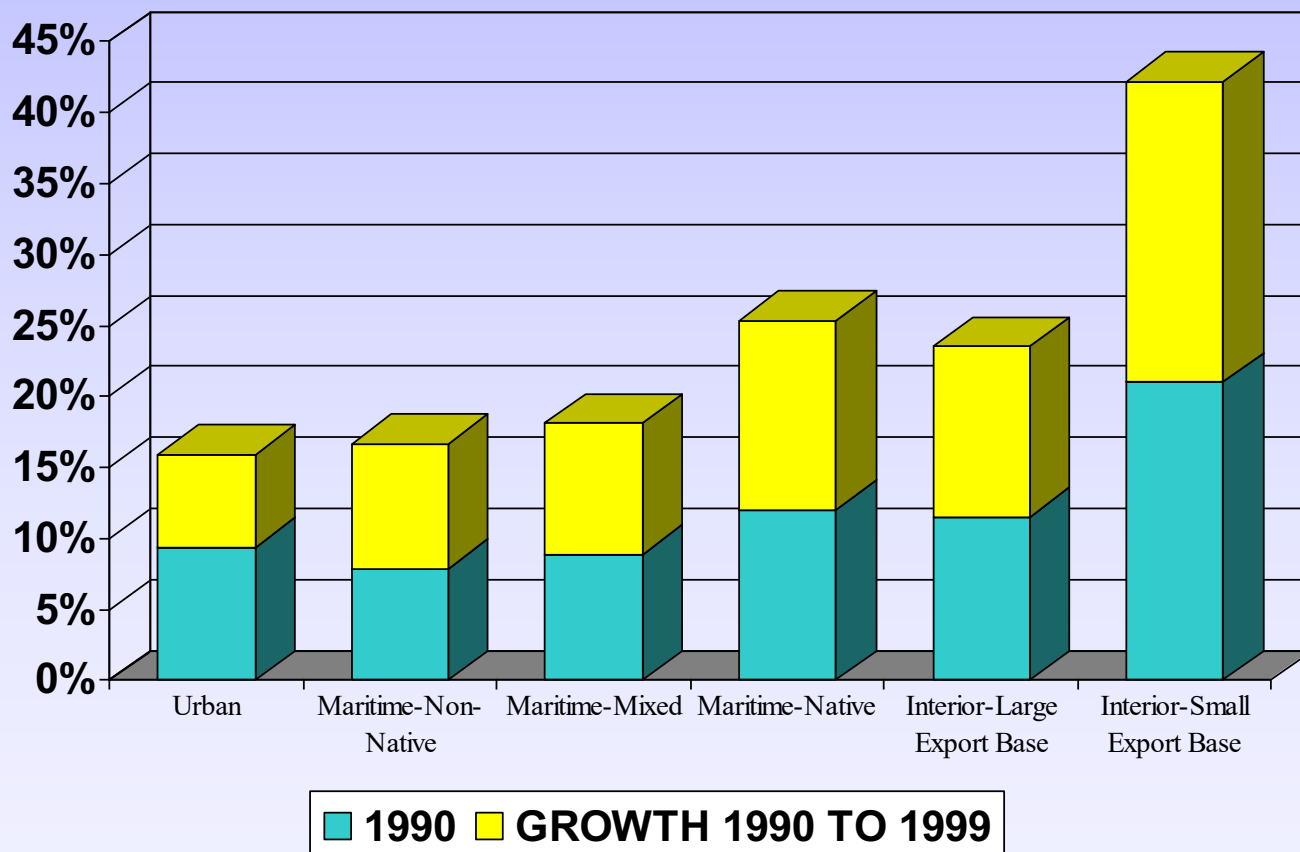
Excludes 9 Largest Communities With Population Exceeding 1000.

PCE COMMUNITY-LARGEST TO SMALLEST

Composition of Personal Income in Wade Hampton in 1997



1999 FEDERAL AND DIVIDEND \$\$ COMPARED TO PERSONAL INCOME (INCLUDES HALF OF GRANT \$)



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