

**ECONOMIC PROJECTIONS FOR ALASKA
AND THE SOUTHERN RAILBELT
2004-2030**

ECONOMIC SCENARIO ASSUMPTIONS

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	BASE CASE (CEO4B)	LOW CASE SENSITIVITY	HIGH CASE SENSITIVITY
A. <u>BASIC INDUSTRY ASSUMPTIONS</u>			
<u>A.1. Petroleum</u>			
1. Trans-Alaska Pipeline	Employment remains constant (TAP.S04M)		
2. North Slope Petroleum Development and Production (including NPRA and near-shore OCS)	Employment remains constant as marginal fields, requiring more labor, are brought into production and enhanced recovery methods continue to be applied at Prudhoe Bay (ONS.S04M)		
3. Frontier Areas OCS	None		
4. ANWR	Exploration in ANWR starting in 2006 leads to commercial development at 400 MM barrels per day (OAW.S04M)		
5. Use of North Slope Gas	Commercialization of North Slope gas results in employment of 500 after 2010; revenues are \$100 million/year (ONG.S04M)		
6. Cook Inlet Petroleum Production	Employment in exploration, development, and production of oil and gas in Cook Inlet remains constant. Manufacturing based on natural gas continues at the current level (OCI.S04M)		
7. Oil Industry Headquarters	Constant employment (OHQ.S04M)		

NOTES: Codes in parentheses indicate ISER names for MAP Model case files, and codes in brackets indicate MAP variable names.
These are the long-run assumptions. Values may differ in the initial forecast years to reflect short-term conditions.

	BASE CASE (CEO4B)	LOW CASE SENSITIVITY	HIGH CASE SENSITIVITY
<u>A.2. Mining</u>			
1. Beluga Coal Production	None		
2. Greens Creek Mine	Constant employment (MGC.S04M)		
3. Red Dog Mine	Constant employment (MRD.S04M)		
4. Matanuska Valley Coal	None		
5. Kensington Mine	Production begins in 2006 (MKN.S04M)		
6. Fort Knox/True North	Production is constant (MFK.S04M)		
7. Pogo	Production begins in 2006 (MFG.S04M)		
8. Donlin Creek Mine	Production begins in 2009 (MDK.04M)		
9. Pebble Mine	Production begins in 2011 (MPB.04M)		
10. Other Mining Activity	Mining employment net of specifically identified projects increases by 3 percent annually (MOT.S04M)		
<u>A.3. Seafood</u>			
1. Commercial Fish Harvesting	Shore-based employment in fish harvesting is constant (SFH.S04M)		
2. Commercial Fish Processing	Constant employment (SFP.S04M)		
<u>A.4. Tourism</u>			
1. Tourism	Index of tourist visitor expenditures (measuring visitors, days, and real expenditures per visitor day) increases by 5% with employment growth of 3%. Tourism-related infrastructure development grows 2% annually (TRN.S04M)		
<u>A.5. Federal Government</u>			
1. Military Employment	Strength level remains constant after buildup in 2004 and 2005 (FMI.S04M)		
2. Civilian Employment	Employment increases at .25 percent annual rate consistent with long-term trend since 1960 (FCV.S04M)		

	BASE CASE (CEO4B)	LOW CASE SENSITIVITY	HIGH CASE SENSITIVITY
3. Procurement	Federally funded construction projects, such as rural safe water and environmental cleanup activities at military sites, produce 1,000 jobs annually through 2010 and then decline by 10% annually (CON.S04M)		
4. Grants to State Governments [FEDEX]	Downward adjustment from 2006 to 2013 to 65% of current level, then growth at rate of population and inflation		
5. Grants to Nonprofits	Drop in value added in nonprofit sector of \$100 million between 2005 and 2008		
6. Transfers to Individuals (Medicare and Medicaid)	Growing at rate of population, prices, and income.		
7. Cost-of-Living Adjustment	Declines from 25% to 10% over the period 2010 to 2025		
<u>A.6. International Freight Handling</u>			
1. Air Transport Employment	Employment at Anchorage and Fairbanks International airports associated with international freight handling continues to grow at declining rate (AIR.S04M)		
<u>A.7. Forest Products</u>			
1. Logging and Sawmills	Growth at 1 percent in all regions that currently have logging (FML.S04M)		
2. Timber Manufacture	Modest levels of wood products-related manufacturing develop in Sitka and Ketchikan (FMP.S04M)		
<u>A.8. Agriculture</u>			
1. Agriculture	Employment in agriculture, primarily for local markets, increases 2% annually (AGR.S04M)		
<u>B. FISCAL ASSUMPTIONS</u>			
<u>B.1. Revenues</u>			

	BASE CASE (CEO4B)	LOW CASE SENSITIVITY	HIGH CASE SENSITIVITY
1. Severance Taxes [RPTS]	DOR Spring 2004 through 2007, then calculate from price x production x yield		
2. Royalties [RPRY]	DOR Spring 2004 through 2007, then calculate from price x production x yield		
3. Oil Price Average Lower 48 North Slope Crude (2003 \$)	DOR Spring 2004 to 2007 then constant real dollars (\$22) (DOR.S04M)		
4. Oil Production (ex ANWR)	DOR Fall 2003 to 2015; then 5 percent decline per year (excluding ANWR)		
5. State Revenue Yield per Barrel	DOR Fall 2003 revenue sources through 2015, then constant		
6. Bonuses [RPBS]	DOR Spring 2004 through 2015, then constant nominal (DOR.S04M)		
7. Property Taxes [RPPS]	DOR Spring 2004 through 2015, then constant nominal		
8. Petroleum Corporate Income Tax [RTCSPX]	DOR Spring 2004 through 2015, then constant nominal		
9. Petroleum Rents [RPEN]	\$15 million initially, growing with inflation		
10. Miscellaneous Petroleum Settlement Revenues [RP9X]	\$20 million annually. The revenues are allocated to the Constitutional Budget Reserve (WIN.S04M)		
11. ANWR Revenues	State shares 50% of royalties and collects other taxes consistent with take on other North Slope production (OAW.S04M)		
12. Gas Commercialization Revenues	\$100 million annually starting in 2011 (ONG.S04M)		
13. Federal-State Petroleum-Related Shared Revenues [RSFDNPX]	\$10 million growing with inflation		
14. Personal Income Tax [EXPIT]	Income tax is reimposed only after Constitutional Budget Reserve falls below \$1 billion and earnings reserve has been appropriated to General Fund (see Fiscal Gap section below)		
15. Large Project Corporate Income Taxes [RTCSX]	Zero		

	BASE CASE (CEO4B)	LOW CASE SENSITIVITY	HIGH CASE SENSITIVITY
16. Miscellaneous Local Revenue Sources [RLTX], [RLPTX], [RLTFPX]	Miscellaneous state-local transfers, large project property taxes, new petroleum-related federal transfers all set to zero		
17. New Federal-State Shared Revenues [RSFDNX]	Zero		
18. Agency Transfers (AHFC, AIDEA) [RMISX]	\$100 million (increasing with inflation) contributed to general fund annually		
B.2. State Appropriations			
1. General Fund Appropriations [EXEL1] [EXEL2]	Growth at inflation rate plus share of population growth rate, unless constrained by lack of revenues (see Fiscal Gap section below)		
2. Capital/Operations Split [EXPLITX]	90% operations; 10% capital		
3. General Obligation Bonds	Bond sales for capital expenditures (EXCPGOB) occur at a rate which maintains annual debt service payments at a level no more than 5% of current state revenues		
4. State Loan Programs [EXKTR1X] [EXLOAN2] [EXCPSR1]	AHFC, AIDEA, and other programs function on existing capitalization		
5. Municipal Capital Grants [RLTMCAP]	None		
6. State-Local Revenue Sharing (RLTRS)	None		
7. State-Local Municipal Assistance (RLTMA)	None		

	BASE CASE (CEO4B)	LOW CASE SENSITIVITY	HIGH CASE SENSITIVITY
8. Permanent Fund/Other Special Appropriations in Excess of Spending Limit [EXPFCOEX] [EXGFOPSX] [EXSPCAP]	None		
B.3. Permanent Fund and Constitutional Budget Reserve, Fiscal Gap			
1. Permanent Fund Principal [EXP1]	Deposits from petroleum revenues continue at 25% of royalties		
2. Permanent Fund Total Real Rate of Return [ROR+RORPPF]	4.5 percent		
3. Permanent Fund Earnings [EXPFTOGF]	After inflation proofing and payment of dividend, remainder accrues in earnings reserve, where it is used to supplement general fund revenues. When earnings reserve depleted, dividend reduced and funds used to support general fund (see Fiscal Gap section below).		
4. Permanent Fund Dividend	Half of annual earnings of Fund paid out as dividend, but when Permanent Fund earnings required to fund general fund spending, dividend payment reduced (see Fiscal Gap section below).		
5. Constitutional Budget Reserve Real Rate of Return	3 percent		
B.4. Miscellaneous			
1. State-Local Wage Rates [EXWR]	Real wage reduced 5 percent over 10 years from 2005		
2. Local Property Tax Rates [RLPTRATE]	Increase 20 percent between 2005 and 2015		
C. NATIONAL VARIABLE ASSUMPTIONS			
1. U.S. Inflation Rate [GRUSCPI]	3 percent		

	BASE CASE (CEO4B)	LOW CASE SENSITIVITY	HIGH CASE SENSITIVITY
2. U.S. Real Average Weekly Earnings [GRRWEUS]	1.5% real growth		
3. Dividend-Interest-Rent Income [GRDIRPU]	Growth in real per capita income averages .5%		
4. U.S. Unemployment Rate [UUS]	5.5 percent		
D. <u>ALASKA PERSONAL INCOME</u>			
1. Exxon Valdez Settlement [PITRANX]	Alaska residents receive \$2 billion in settlements between 2006 and 2015		
2. Retiree Income [GRPITR.R]	.5% real per capita growth rate		
E. <u>POPULATION</u>			
1. Birth Rates	Historical rates		
2. Migration	Historical rates		
F. <u>REGIONAL ASSUMPTIONS</u>			
1. Population	Regional population growth allocated on the basis of existing population and employment growth except for increasing share of Greater Anchorage population growth allocated to Mat-Su Borough		
2. Employment	No significant shifts in the location of support industries except for increasing share of Greater Anchorage support activity to Mat-Su Borough		
3. Knik Arm Crossing	Not constructed		