Alaska at Statehood

- SMALL: 90 thousand jobs
- THIN: limited support businesses
- SEASONAL: summer private jobs 2x winter
- TRANSIENT: seasonal and temporary
- FEDERAL DOMINATION: ½ jobs with fed
- INFRASTRUCTURE UNDERDEVELOPED
- LIMITED TAX BASE
- POOR: Income 10-20% below US average
Alaska Today

• NOT SO SMALL: 450 thousand jobs
• MATURE: broad range of support businesses
• ANNUAL: slight summer bulge in jobs
• STABLE: fewer transient workers
• FEDERAL “PRESENCE”: fed jobs don’t dominate
• INFRASTRUCTURE MORE DEVELOPED
• LIMITED TAX BASE
• PROSPEROUS: Low Taxes, PFD, Incomes 10% above US average, Generous Public Services
Sources of Prosperity: The 3-Legged Stool
What Industries Bring New Money into Alaska?
Non-Petroleum Natural Resources

![Bar chart showing different natural resources compared to 1960 and added since 1960.]

- Tourism
- Seafood
- Mining
- Retirees
- Air Cargo

Oil and the Alaska Economy
Federal Spending
$10.9 Billion in 2010

- **GRANTS**  $3.5
- **PAYMENTS TO INDIVIDUALS**  $2.6
- **DEFENSE**  $3.3
  - Wages $1.5
  - Procurement $1.8
- **FEDERAL AGENCIES**  $1.5
  - Wages $.8
  - Procurement $.7

Excluding ARRA Funds

Oil and the Alaska Economy
Petroleum: Oil Patch

The Role of the Oil and Gas Industry in Alaska’s Economy

Anchorage Chamber of Commerce
June 30, 2008

Job creation

- 41,744 jobs – direct, indirect, induced
  - 4,497 Direct – primary companies
  - 8,410 Indirect – support industry companies providing goods and services
  - 28,837 Induced – jobs created when direct and indirect employees spend their income locally

Oil and the Alaska Economy
Petroleum: State Revenues

Lighter Tax Burden

$50 Billion

SAVE

$45 Billion

SPEND

$125 Billion

Greater Public Spending

$75 Billion

59-10 in 2010 $
Petroleum: Financial Savings
Petroleum: Spinoffs

Population twice as big

Public spending per resident double the U.S. average

Economy twice the size, richer, more stable

Spinoffs from oil wealth

No personal state income or sales tax
Light state tax burden for most businesses
Petroleum: Spinoff Job Boost

- Tourism
- Seafood
- Mining
- Retirees
- Air Cargo

1960
Petroleum = Half of Alaska Jobs

Actual 2007

- 187,000 jobs
- 127,000 jobs (34%)
- 60,000 jobs (16%)

Jobs from oil production and state oil revenues
Spinoff jobs from oil wealth

Oil and the Alaska Economy
New Jobs since 1960

- NEW JOBS FROM PETROLEUM
- NEW JOBS FROM OTHER
- JOBS IN 1960

Oil and the Alaska Economy
Alaska Today: No Oil

- SMALL: 187 thousand jobs
- THIN
- SEASONAL
- TRANSIENT
- FEDERAL DOMINATION
- INFRASTRUCTURE UNDERDEVELOPED
- LIMITED TAX BASE
- POOR: Income 10-20% below US average
The Economic Landscape: It Seems Rosy

Employment Forecast for 2012
A third straight year of growth expected for Alaska

Oil and the Alaska Economy
A Troubling Indicator: Oil Barrels per Capita

Oil and the Alaska Economy
Commercialization of Gas
Strategies Moving Forward #1: Non Petroleum Natural Resources

MINING 1-2K new jobs $4,000 / Oz.

TOURISM 10K new jobs $2,000 / Visitor

SEAFOOD 0K New Jobs $20 / Salmon

* $3 Billion
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

Oil and the Alaska Economy
Strategies Moving Forward #4: Develop Renewable Energy
Strategies Moving Forward #5: Speculatively Invest in Infrastructure
Economically Recoverable Oil in the Ground in Northern Alaska (???)

<table>
<thead>
<tr>
<th>Category</th>
<th>(Billion Barrels)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KNOWN CONVENTIONAL ON STATE LAND</td>
<td>5</td>
</tr>
<tr>
<td>KNOWN UNCONVENTIONAL ON STATE LAND</td>
<td>4</td>
</tr>
<tr>
<td>YET TO BE DISCOVERED ON STATE LAND</td>
<td>3</td>
</tr>
<tr>
<td>FEDERAL LANDS</td>
<td>22</td>
</tr>
</tbody>
</table>
Oil Patch Activity Simplified

• OPEN AND DEVELOP PROSPECTS ON FEDERAL LAND
• DEVELOP STATE RESOURCES
  • 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

Oil and the Alaska Economy
Popular Alaska Bumper Sticker

"Please God, give us another oil boom, we promise not to piss it away this time"
The Second Oil Boom: God Answers Our Prayers

- First huge oil-revenue boom, 1980-1986: $46 billion
  - Iran/Iraq war: $67/barrel
  - Windfall: Revenues from North Slope oil lease sales: $4.3 billion
- Oil glut, Alaska recession: $23/barrel
- Invasion of Iraq
- Settlements of tax disputes
- Oil price sinks to $14/barrel

Sources: Alaska Department of Revenue, U.S. Energy Information Administration, crude oil first domestic purchase price

Oil and the Alaska Economy
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
### Petroleum Wealth

$160 Billion

<table>
<thead>
<tr>
<th>$ IN THE BANK</th>
<th>$60</th>
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</thead>
<tbody>
<tr>
<td>Permanent Fund</td>
<td>$42</td>
</tr>
<tr>
<td>CBR (Constitutional Budget Reserve), SBR (Statutory Budget Reserve), GF (General Fund)</td>
<td>$18</td>
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</table>

<table>
<thead>
<tr>
<th>IN THE GROUND</th>
<th>$100</th>
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</thead>
<tbody>
<tr>
<td>Conventional State Land</td>
<td>$70</td>
</tr>
<tr>
<td>Other Oil</td>
<td>$17</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$13</td>
</tr>
</tbody>
</table>
Wealth Preservation Strategy: The Long View

Oil and the Alaska Economy

Institute of Social and Economic Research
University of Alaska Anchorage

Understanding Alaska: Special Economic Studies
Sustainable Income from Petroleum Wealth of $160 Billion

My Annual Share $8,700
My Daughter’s Annual Share $8,700
My Granddaughter’s Annual Share $8,700
Your Annual Share $8,700
Your Daughter’s Annual Share $8,700
Your Granddaughter’s Annual Share $8,700

Oil and the Alaska Economy

Institute of Social and Economic Research
University of Alaska Anchorage

Understanding Alaska: Special Economic Studies
Alaska State Budget
$13.56 Billion in FY2013

Oil and the Alaska Economy
## FY 2013 General Fund Spending (Billion $)

<table>
<thead>
<tr>
<th>GF Sustainable Spend</th>
<th>$6.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>GF Actual Spend</td>
<td>$7.6</td>
</tr>
<tr>
<td>GF Over Spend</td>
<td>$1.1</td>
</tr>
</tbody>
</table>

Oil and the Alaska Economy
State Fiscal Plan?

- GF Expenses @ 4% growth rate
- Revenues from DOR 2011
- Revenues @ $90 Oil

Oil and the Alaska Economy
Can We Do It?
Alaska’s Economy: The Challenge Ahead

by
Scott Goldsmith
Institute of Social and Economic Research
University of Alaska Anchorage

More Information at
www.iser.uaa.alaska.edu/Projects/investak/