

ALASKA'S ECONOMY

It's everyone's business.

BRETT WATSON, RESEARCH PROFESSIONAL AT THE INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH AT THE UNIVERSITY OF ALASKA/ANCHORAGE, SHARES HIS VIEWS ON THE ALASKA ECONOMY.

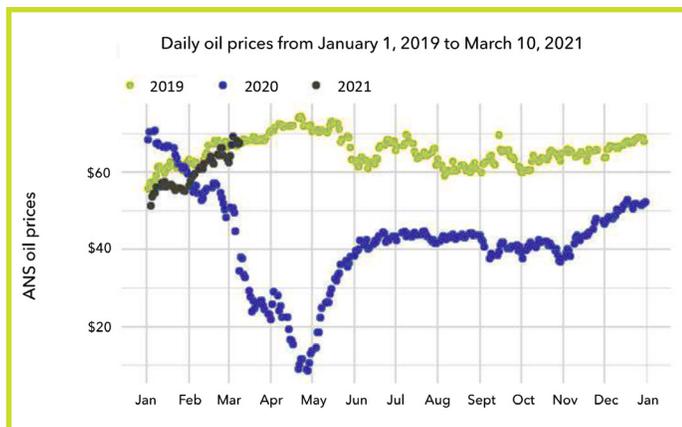
Dear Reader,

While Alaska's economy remains fragile, the state leads the nation in COVID vaccine administration and oil prices are nearing their two-year highs. This report breaks down these changes, as well as the recently signed American Rescue Plan (ARP), and describes its impact for Alaska's economy.



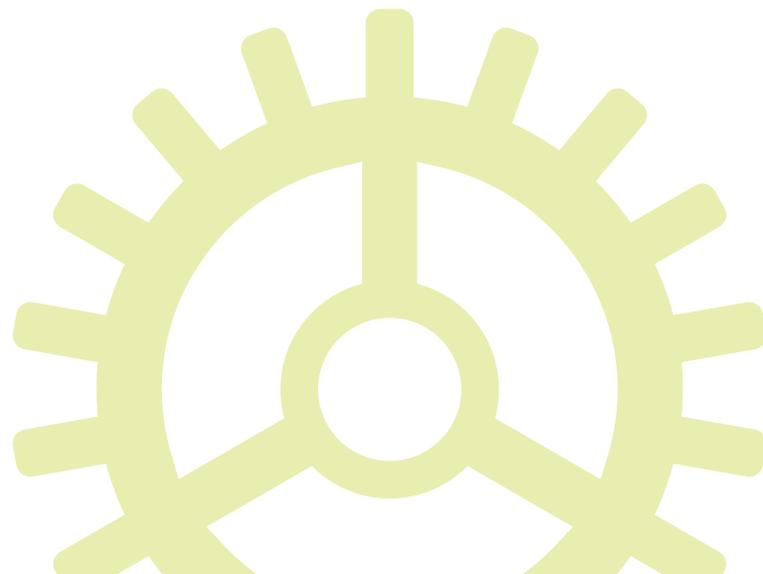
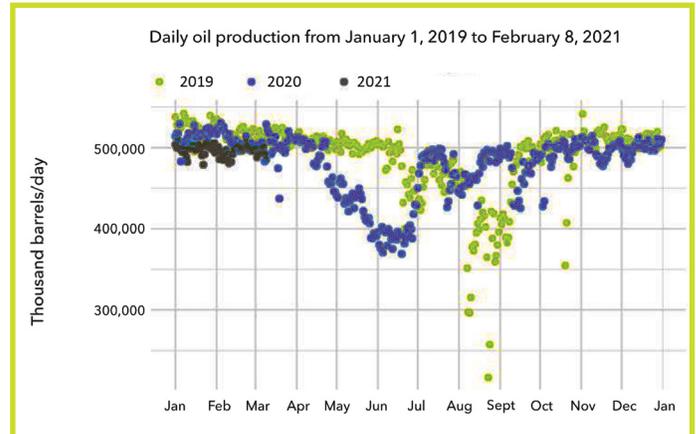
Oil prices recover to spring 2019 levels

Alaska's benchmark oil price, Alaska North Slope (ANS) West Coast, hit \$67.51 on March 10, continuing to recover from its low of \$8.56 on April 28, 2020. February daily prices averaged \$61.88 per barrel. This compares to \$54.48 per barrel in February 2020 and \$65.03 per barrel in February 2019. The recent rise comes as inventories continue a drawdown from a late spring peak. If oil prices remain steady and a full PFD is not distributed, the state could pass a balanced budget by using only the pre-established 5.25% value withdrawal from the Permanent Fund. Prices would need to be substantially higher to balance the budget and pay a full dividend without a larger Permanent Fund draw. However, this projection does not include the latest relief funding from the recently passed ARP which provides an additional \$1 billion for the state's budget. ▼



March oil production lower this year

Daily oil production in Alaska was 485,000 barrels on March 10. February daily production averaged 495,000 barrels. This compares to 510,000 barrels in the same month of 2020 and 517,000 barrels in 2019. According to their fall 2020 forecasts, the Alaska Department of Revenue expects production to decline over the next two years. However, as new fields come online in the following years, the department expects daily production between 460,000 to 480,000 barrels per day. ▼

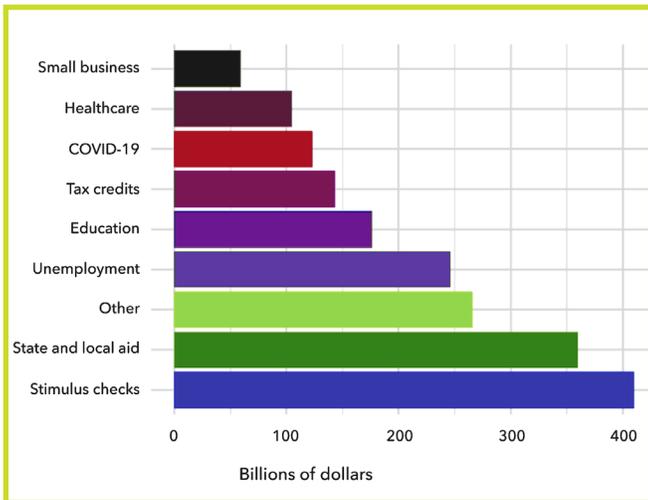


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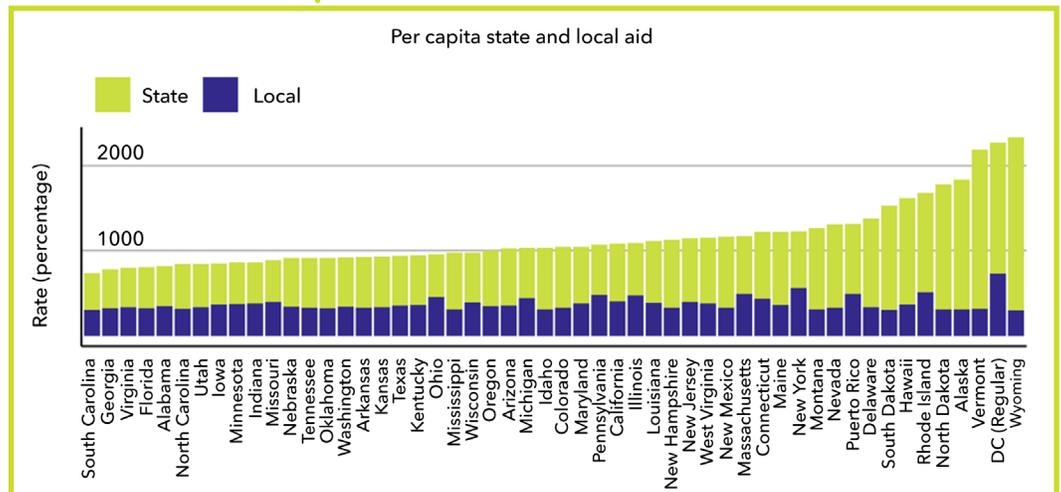
Breaking down the American Rescue Plan

The ARP was signed into law by President Biden on March 11. The three largest components of the \$1.9 trillion COVID-19 relief package are: direct relief checks (\$410B), state and local government aid (\$360B) and extending and enhancing unemployment insurance payments for traditional and gig workers (\$246B). The package also includes funding for K-12 and college education, public health and vaccination, healthcare subsidies and an expanded child tax credit program. ▼



ARP's state and local government aid

The ARP provides fiscal aid directly to state and local governments. State allocations are based on their share of national unemployment (with a guaranteed minimum distribution); City government allocations are based on Community Development Block Grant criteria and county government allocations are based on population. These factors combine to create different allocations on a per-person basis. The state of South Carolina and its county and city governments will receive around \$740 per person, while Wyoming will receive \$2,335 per person across state and local governments. Alaska, with our small economy dependent on hard-hit sectors like energy and tourism, will receive about \$1,863 per person. The state of Alaska will receive about \$1 billion in direct aid, and \$112 million in aid for infrastructure. Borough governments will receive \$142 million and city governments will receive around \$90 million. These amounts do not include a separate allocation for tribal governments. ▼





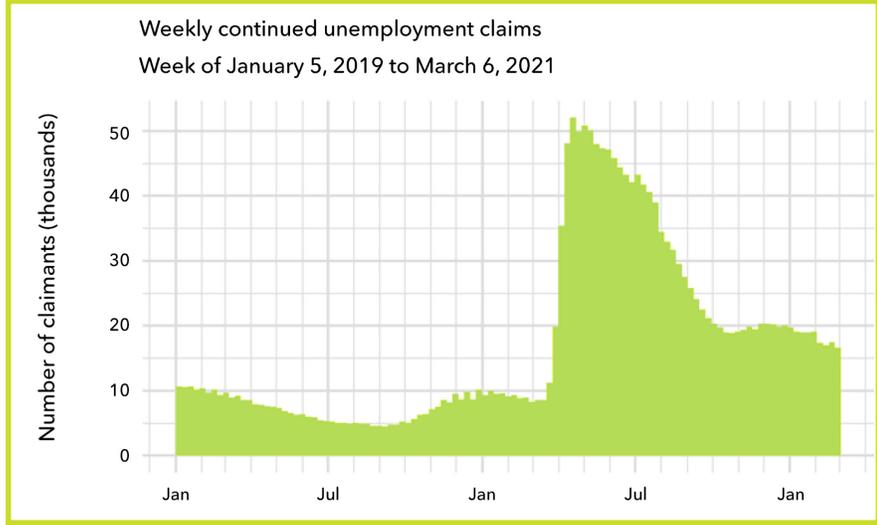
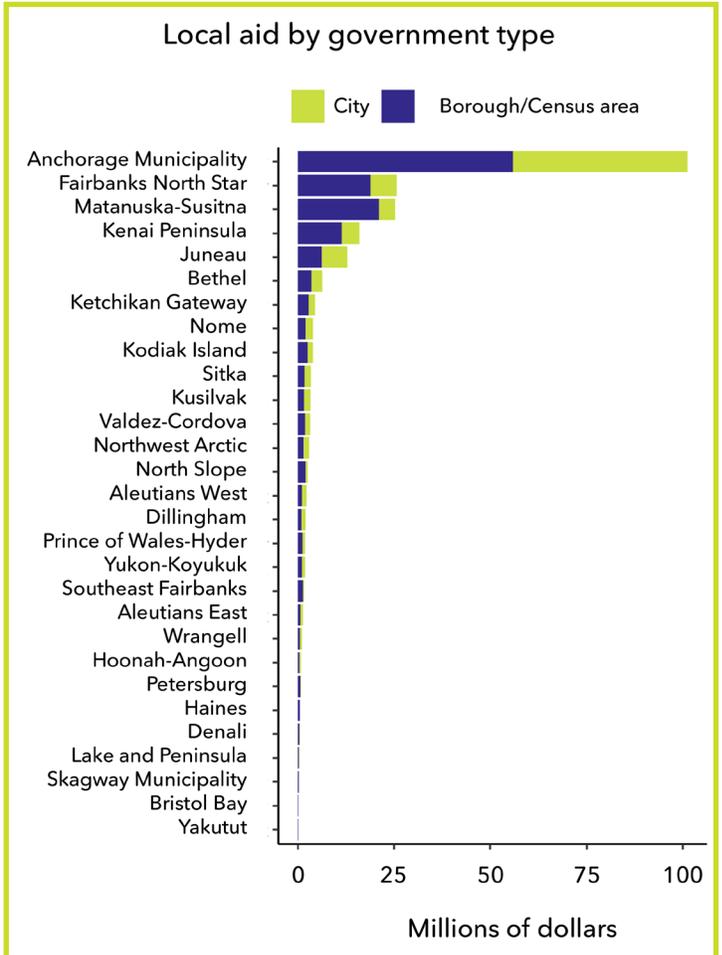
Aid extended to borough and city governments in Alaska

The ARP will distribute \$232 million across Alaska. Funding is primarily based on population. As such, Anchorage will receive just under half of the allocation, around \$100 million. The Fairbanks borough and the cities within (i.e. Fairbanks and North Pole) will receive \$26 million. The Mat-Su borough and its cities will receive \$25 million, and Kenai Peninsula and Juneau will receive \$16 and \$13 million, respectively. We know, however, that not all borough governments have been affected equally by the pandemic or proportionally in terms of their population. Governments in Southeast and in the Denali Borough depend more heavily on sales and bed tax revenue from tourists. The Municipality of Anchorage is financed primarily by property tax revenue, which has been more stable over the course of the pandemic. ▶



Unemployment extended to more than 16,000 Alaskans

16,622 Alaskans continued collecting unemployment insurance (UI) benefits as of March 6. While benefits for many workers were set to expire, the passage of the ARP means that unemployed individuals will continue to collect \$300 per week from the federal government in addition to their entitled insurance benefits from the state. The extra \$300/week for Alaska’s unemployed workforce means that the Alaska economy will see an influx of about \$19,946,400 per month via the UI enhancement program. These benefits will expire in September. ▼

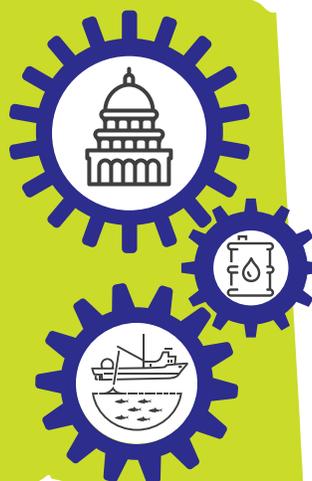


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Did you know

16,622 Alaskans continued collecting unemployment insurance benefits as of March 6?

Learn more in this issue of *Alaska's Economy*.



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