



Scott Goldsmith, Professor of Economics, Institute of Social and Economic Research at the University of Alaska Anchorage, shares his views on the Alaska economy.

November Unemployment Rate Unchanged At 6.4 Percent

The November 2015 seasonally adjusted unemployment rate for Alaska was 6.4 percent, unchanged from September and October. The national rate for November was 5.0 percent, also unchanged from the previous month. **Figure 1**

Rates under 5 percent (not seasonally adjusted) were reported in Anchorage, Kodiak, Juneau, and the Aleutians West Census Areas.

North Slope Oil Price Averages \$48 thru First Half of FY16

The North Slope oil price has averaged \$48 per barrel this fiscal year starting in July, down \$2 from last month. It has been below \$40 since early December. **Figure 2**

The newly revised forecast from the Alaska Department of Revenue is for a price averaging \$50 through the fiscal year (see following story). A continuing oversupply in world markets and a strong US dollar are combining to hold down the price.

In their annual outlook, the International Energy Agency (IEA) expects the oil market to remain oversupplied until the end of the decade. The IEA does not expect the oil price to reach \$80 a barrel until 2020 in its “central scenario.” However in its “low price scenario” it expects the price to remain close to \$50 until the end of the decade.

New Alaska Revenue Forecast Lower

The fall forecast of the Alaska Department of Revenue shows a dramatic drop in petroleum revenues over the next decade compared to the forecast last spring. Most of the decline is due to a lower price forecast which now reflects a deeper drop and slower recovery than previously. **Figure 3**

North Slope oil production is projected to be flat in the short run and decline slightly slower in the long run than previously. The long-run decline rate is about 5% annually, consistent with the historical trend. **Figure 4**

Unrestricted general fund revenue is projected to be \$1.6 billion this fiscal year, resulting in a deficit of about \$3.6 billion. Next year revenues are projected to be \$1.8 billion. Over the next decade they are projected to average only about \$2.1 billion. In contrast, the previous forecast from last spring projected revenues recovering to more than \$4 billion by 2020. **Figure 5**

North Slope Oil Production Higher than Last Year

North Slope oil production through mid-December continues to be about 20,000 barrels per day higher than last fiscal year at this time. **Figure 6**

Ten Year Fiscal Plan

The newly released ten-year fiscal plan of the Office of Management and Budget (OMB), called the “New Sustainable Alaska Plan,” projects flat expenditures with revenues coming primarily from an annual earnings reserve draw.

Spending on agency operations would fall in real dollars from \$4 billion in FY2016 to \$3.35 billion in FY2026. Spending for all other purposes would initially fall from \$850 million in FY2016 but subsequently increase to \$1.24 billion by FY2026. These other purposes include gas line-related expenditures, debt service, expenditures to reduce the PERS/TRS liability, oil and gas tax credits, capital spending, and miscellaneous smaller special appropriations. **Figure 7**

Starting in FY2017 an annual draw from the Earnings Reserve of the Permanent Fund of \$3.2 billion and new revenues from a suite of new and increased taxes totaling \$450 million would replace the current annual draw from savings (the Constitutional Budget Reserve). **Figure 8**

These revenues would be augmented by an annual earnings draw on other state assets, and starting in FY2026 by revenues from a gasline, projected to be \$1.5 billion (in nominal dollars).

New revenue of \$450 million in FY2018 would come from the following sources: **Figure 9**

Income Inequality Less in Alaska

In 2012 the average income of the top 1 percent of taxpayers in Alaska, \$939,000, was 15 times that of the average of the bottom 99 percent, \$61,000. The US average ratio was twice as high at 30 times. By this definition, Alaska was essentially tied with Hawaii as the most equitable state. (This is based on a recent study by the Economic Policy Institute.) **Figure 10**

The average income of the bottom 99 percent of Alaska taxpayers was the highest among the states. The average income of the top 1 percent of taxpayers was surpassed by 30 other states, and the income level in Alaska required to be included in the top 1 percent was \$369,000.

Since the Great Recession, Alaska has ranked 47 among the states in the growth rate of income among the top 1 percent of taxpayers—15 percent. However the growth rate for the lower 99 percent of taxpayers has been only 4 percent, so the top 1 percent of taxpayers accounted for 34 percent of the increase in income during this period.

State Personal Income Growth Slowest in the Nation

State personal income growth in Alaska in the third quarter was .6 percent, the slowest in the nation, compared to the national average of 1.3 percent (based on data from the US Department of Commerce).

The growth rate of earnings, the largest component of personal income, was .6 percent compared to 1.4 percent for the US as a whole. **Figure 11**

Declines in wages and salaries in mining, transportation, and state/local government contributed to the slow overall growth rate.

Although the quarterly growth rate in personal income and its components tends to be volatile, the Alaska growth rate on average has lagged behind the US over the last two years.

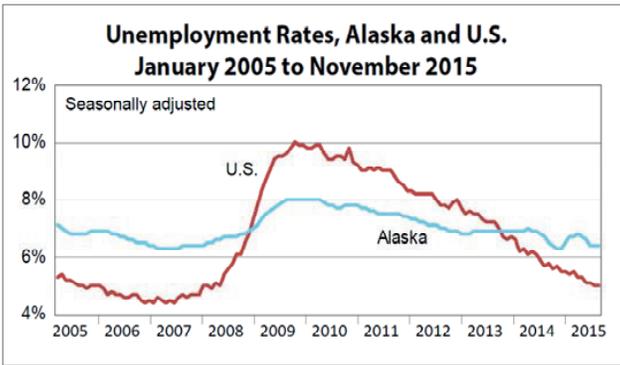


Figure 1

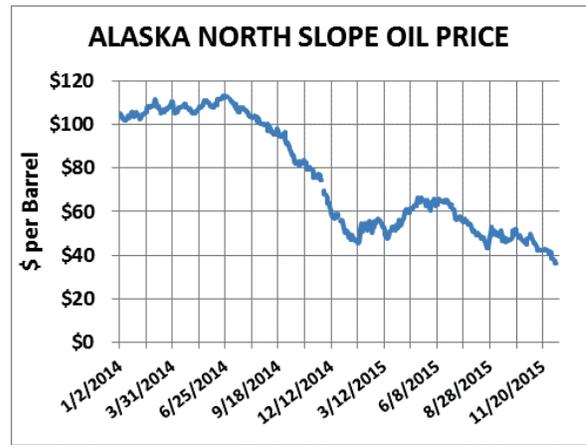


Figure 2

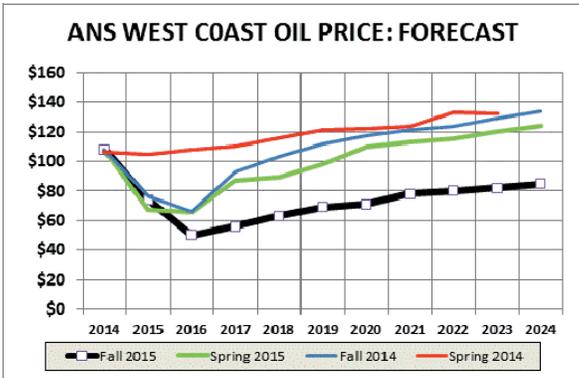


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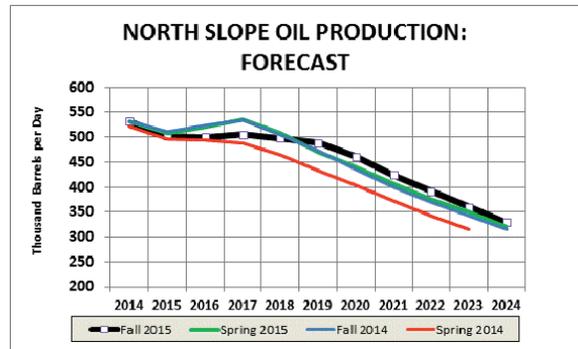


Figure 4

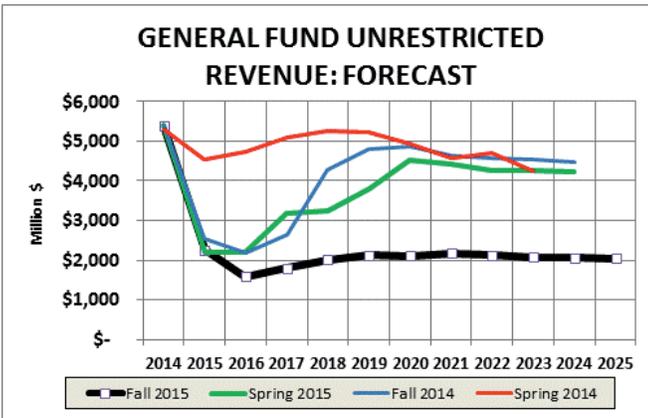


Figure 5

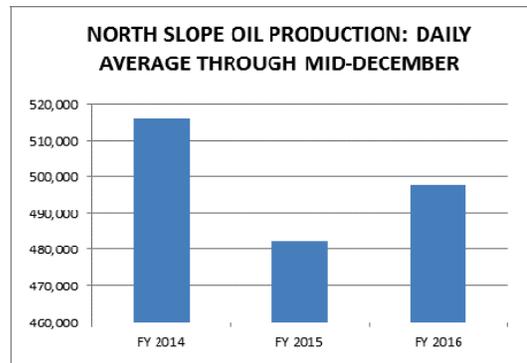


Figure 6

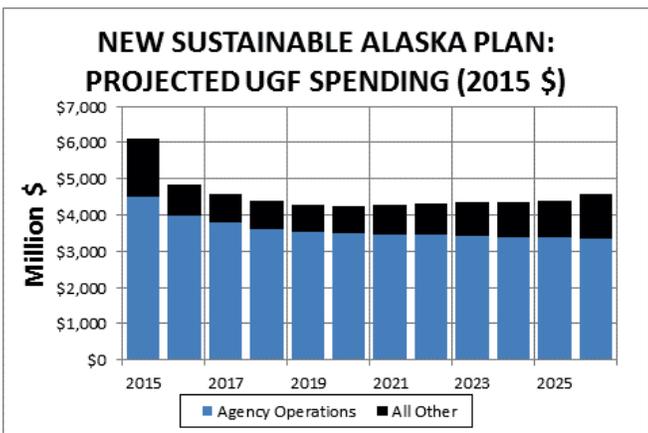


Figure 7

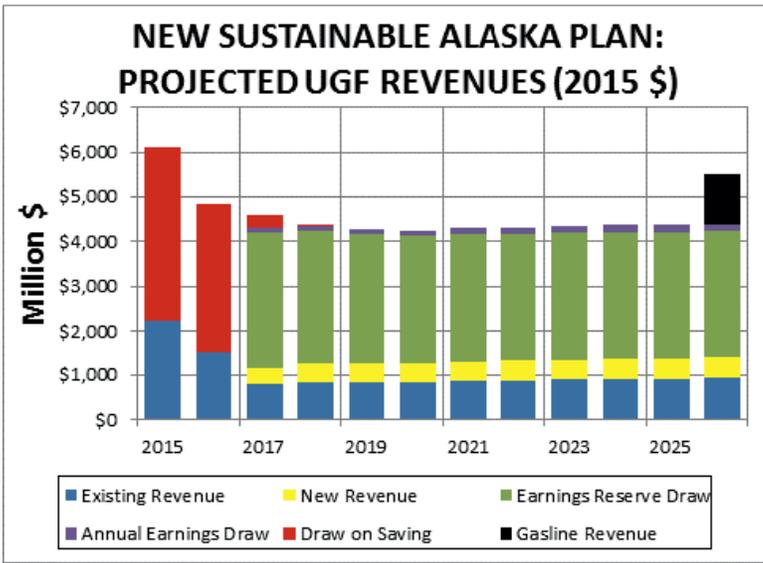


Figure 8

SOURCE	REV (MILL)
Mining	\$ 12
Fishing	\$ 20
Tourism	\$ 15
Motor Fuel	\$ 44
Alcohol	\$ 39
Tobacco	\$ 25
Oil and Gas	\$ 100
Individual Income	\$ 195

Figure 9

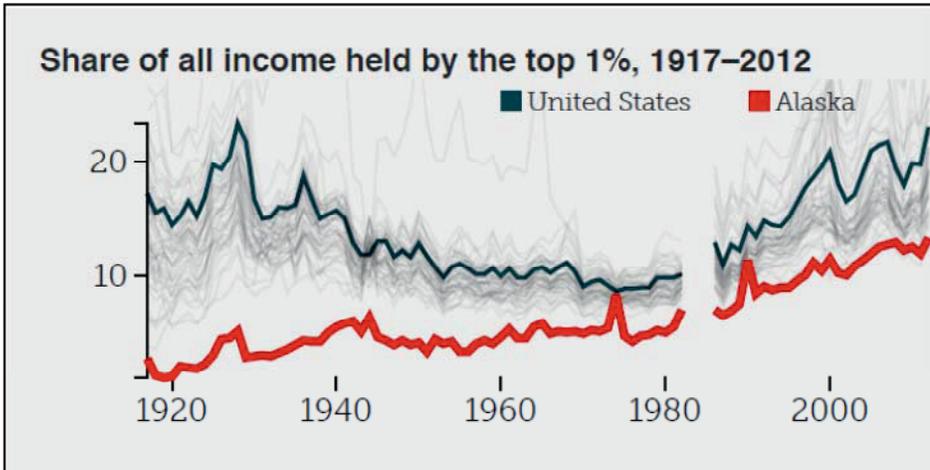


Figure 10

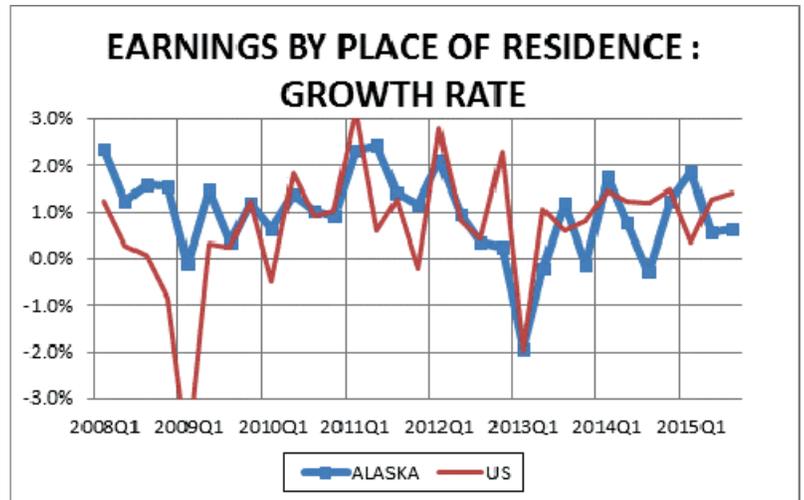


Figure 11