

ALASKA'S ECONOMY

Understand it. Support it. Grow it.



Volume 3
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Scott Goldsmith, Professor of Economics, Institute of Social and Economic Research at the University of Alaska Anchorage, shares his views on the Alaska economy.

February Unemployment Rate Unchanged

The February 2015 seasonally adjusted unemployment rate for Alaska was 6.3 percent, unchanged from January. The national rate that month was 5.5 percent. **Figure 1**

The drop in the Alaska unemployment rate during the second half of 2014 was partially due to a definitional change which reduced the number of unemployed rather than a tightening of the labor market.

North Slope Oil Price Drops Below \$50

The ANS (Alaska North Slope) oil price dropped below \$50 amid increasing concern over continued high shale oil production rates and increased inventories. **Figure 2**

The average for the current fiscal year is now \$78. If the price remains at the current level through the rest of the fiscal year, the average will be \$67 which is the level forecast by the Alaska Department of Revenue.

North Slope Oil Production Averaging 498,000 BPD

North Slope oil production has averaged 498,000 barrels per day through March of fiscal year 2015. If the daily pattern of production follows that of prior years, the annual average for the year will be close to the Department of Revenue forecast of 510,000 barrels per day. **Figure 3**

This compares to an average of 530,000 barrels per day last year.

Governor's Proposed Budget for Fiscal Year 2016 Down 10 Percent

The revised fiscal year 2016 General Fund budget submitted by the governor to the legislature in February was down 10 percent from the year before. Fiscal year 2015 (covering July 2014 through June of 2015) is expected to end with a deficit of \$3.561 billion based on spending of \$6.136 billion. If the governor's proposed 2016 general fund budget level becomes law and the Department of Revenue projection of revenues proves accurate, the fiscal year 2016 General Fund deficit would be \$3.355 billion. **Figure 4**

State budget reserves (primarily cash in the Constitutional Budget Reserve) would be depleted by fiscal year 2022 if General Fund spending continued at the current rate and Alaska Department of Revenue projections prove accurate. **Figure 5**

More than half the budget consists of five programs that are difficult to cut in the short term. **Figure 6**

General Fund "Breakeven" Oil Price is \$117

The oil price that would generate enough revenue to eliminate the fiscal year 2016 deficit is \$117 according to the Legislative Finance Agency. (This estimate is based on a budget of \$5.78 billion, slightly higher than the current proposal by the governor.) **Figure 7**

Non-Resident Share of Workers Increases

The nonresident share of workers increased from 20.4 percent to 20.6 percent in 2013 according to the Alaska Department of Labor, the fourth year of growth. The nonresident share of wages also increased from 14.8 percent to 15.2 percent. **Figure 8**

Nonresident workers are represented in all industries. (Federal employees, military personnel, and self-employed are excluded from the analysis.) **Figure 9**

Industries with the largest share of nonresident workers include seafood processing, mining (including oil and gas), tourism, and construction.

Significant increases in the nonresident share of workers have been in two industries experiencing rapid growth—oil and metal mining. **Figures 10 & 11**

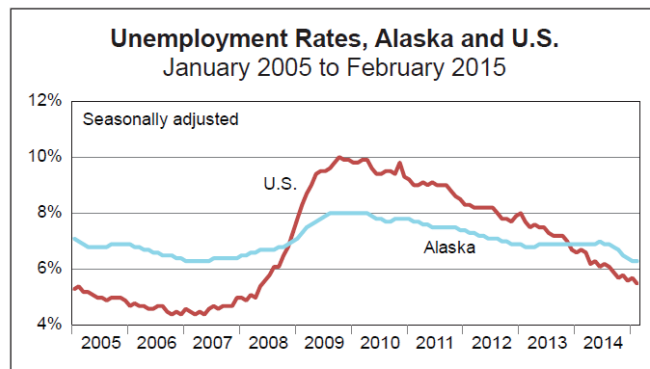


Figure 1

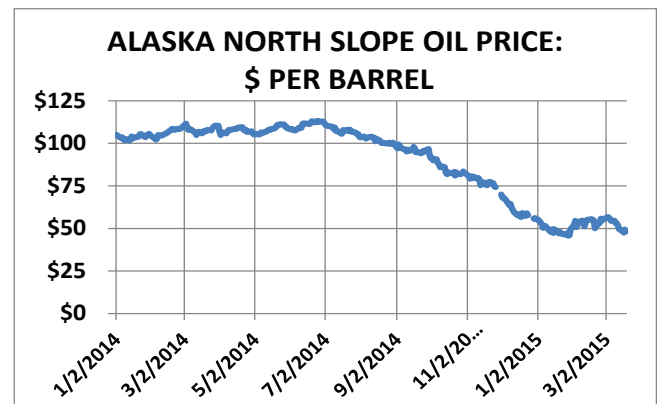


Figure 2

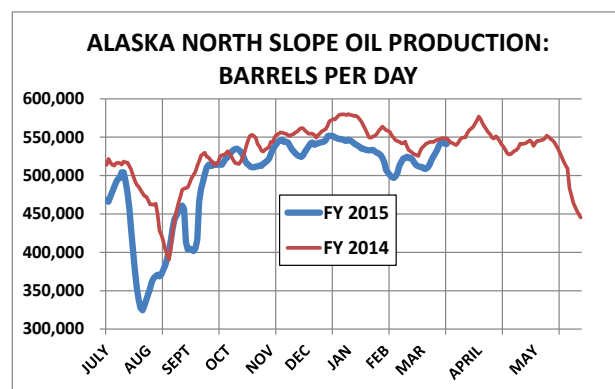
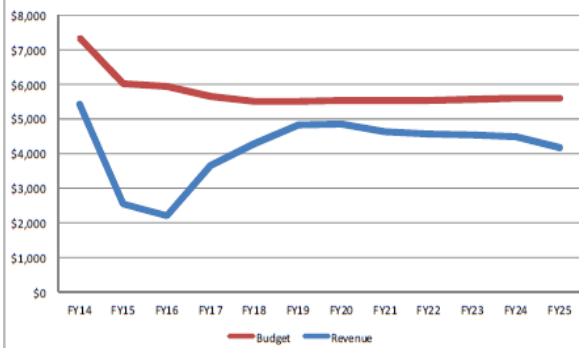


Figure 3

PROPOSED FY 2016 GENERAL FUND BUDGET (MILLION \$)				
	FY2015 AUTHORIZED	FY2016 GOVERNOR	CHANGE	
			AMOUNT	%
REVENUE	\$2,575	\$2,197	-\$378	-15%
APPROPRIATIONS				
Agency Operations	\$4,548	\$4,264	-\$284	-6%
Statewide	\$924	\$1,191	\$ 267	+29%
Capital	\$591	\$150	-\$441	-75%
Transfers	\$73	\$-54	-\$127	
Total Authorization	\$6,136	\$5,551	-\$585	-10%
DEFICIT	-\$3,561	-\$3,355		
Source: Office of Management and Budget				

Figure 4

**Figure 4. UGF Revenue/ Budget
(DOR December 2014 Forecast)
(millions)**



**Figure 5. Budget Reserves (CBR & SBR)
(millions)**

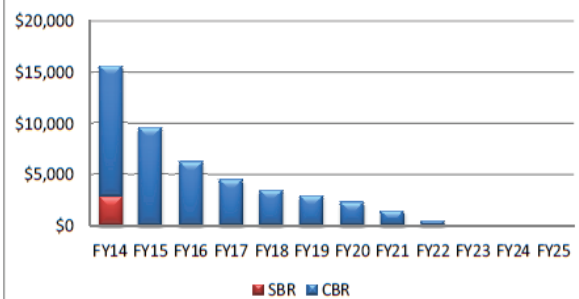


Figure 5

Program

Program Cost (millions)

Debt Service	\$ 228
Retirement Assistance	\$ 263
Production Tax Credits	\$ 700
K-12 Formula	\$ 1,300
Medicaid	\$ 693
Total	\$ 3,184

Figure 6

FY16 Unrestricted General Fund Revenue - Fiscal Sensitivity

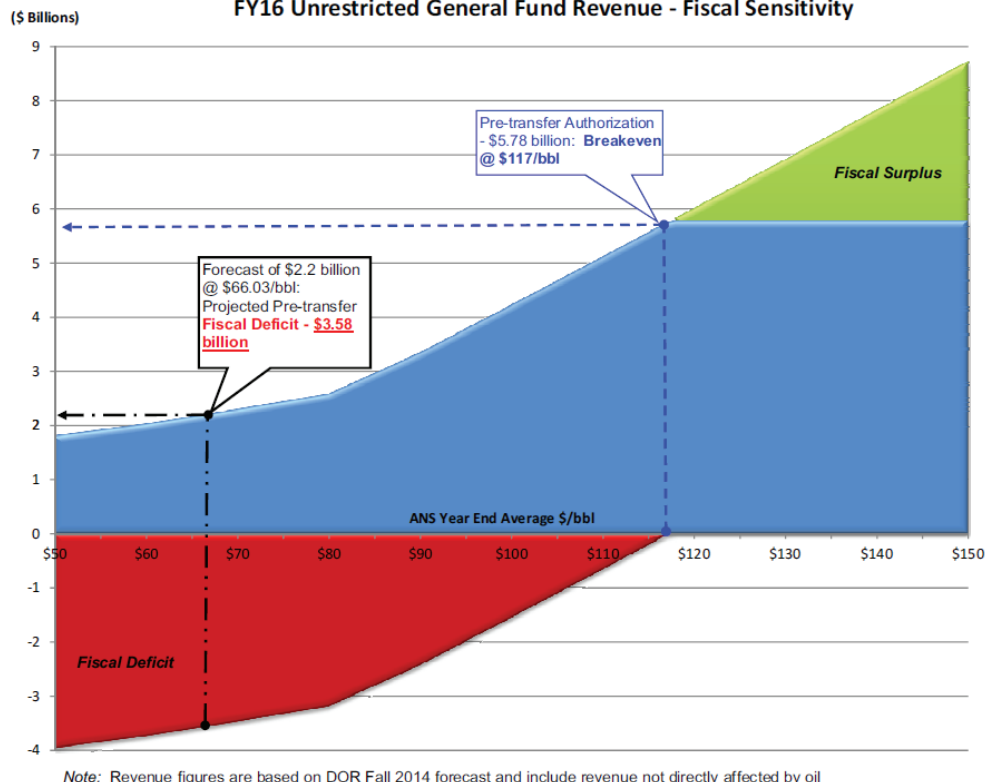


Figure 7

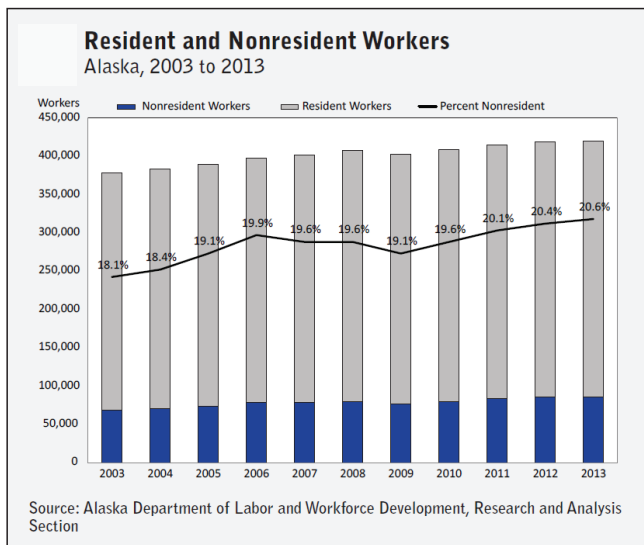


Figure 8

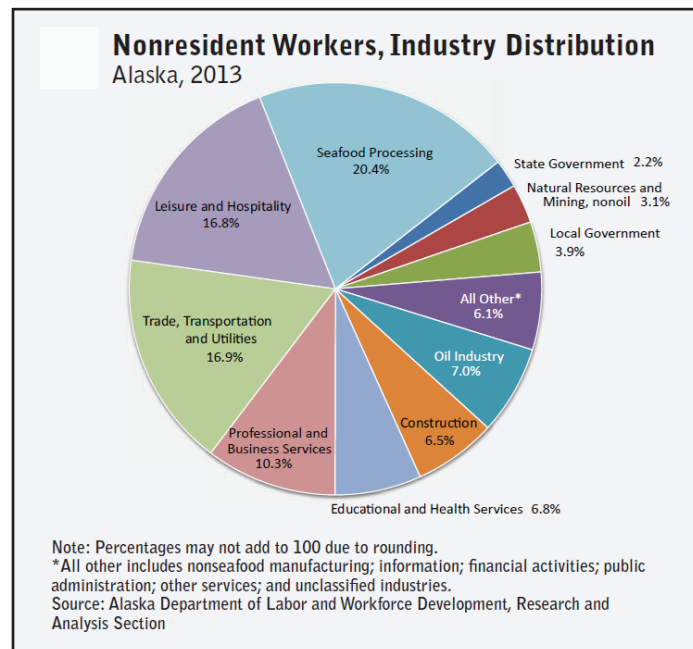


Figure 9

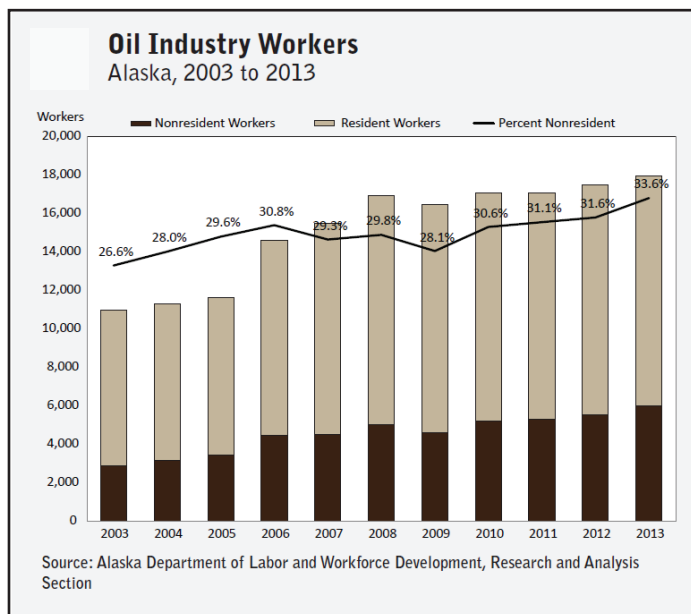


Figure 10

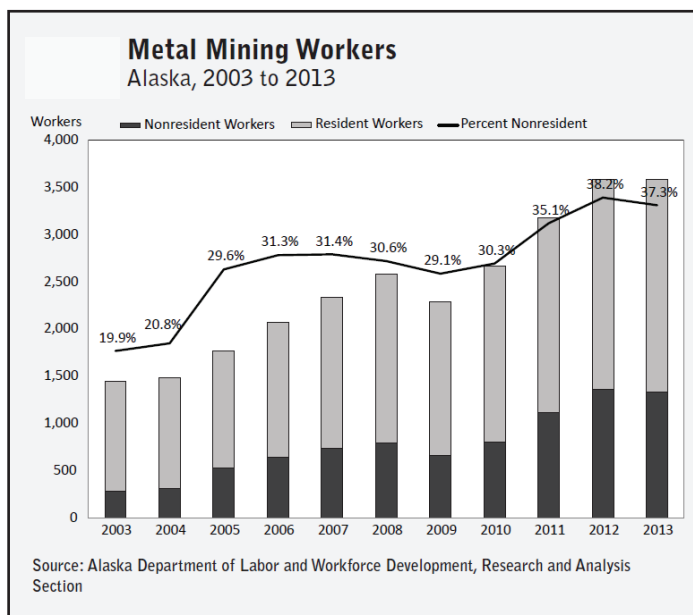


Figure 11