

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.

June Unemployment Rate Slightly Higher

The June 2015 seasonally adjusted unemployment rate for Alaska was 6.8 percent, up one tenth of a percent from the adjusted May figure. The national rate for June was 5.3 percent, a decline of two tenths of a percent from May. **Figure 1**

The Alaska unemployment rate has been relatively stable at the historical average for the past year while the national rate has continued to fall.

North Slope Oil Price Slips Below \$60

The ANS (Alaska North Slope) oil price slipped below \$60 in early July and has averaged \$58 since the start of the fiscal year on July 1. **Figure 2**

The Department of Revenue price forecast for this fiscal year is \$66. The average price for 2015, the fiscal year that just ended, was \$73 per barrel, slightly above the Spring forecast of \$67 by the Alaska Department of Revenue.

The price of ANS oil has recently been closely tracking the price of Brent crude, and about \$4 higher than the West Texas Intermediate (WTI) price, as well as the one-month future quote for light sweet crude on the New York Mercantile Exchange.

Senior Population Growth Rate Fastest in the Nation

The Alaska population aged 65+ increased 16,000, or 29 percent between 2010 and 2014—a growth rate faster than any other state. Seniors accounted for 64 percent of the population growth in the last four years and now make up 10 percent of the total population (about 71,000) compared to 8 percent in 2010. **Figure 3**

The concentration of the senior population varies considerably by community. Although the statewide average age is 34, it is about 48 in Haines, Hoonah-Angoon, and Wrangell borough and census areas, but only 23 in Kusilvak, formerly Wade Hampton.

2015 Alaska Employment Growth

Alaska wage and salary employment is .7 percent above last year through the first six months of this year based on preliminary data from the Alaska Department of Labor.

Construction, trade, transportation, health services, accommodation, and local government were all higher in June than one year earlier. **Figure 4**

State General Fund Budget for 2016 Cut \$635 Million

The state general fund budget for fiscal year 2016 is \$5.4 billion, \$635 million less than the previous year. Revenues are projected to be \$2.2 billion, leaving a deficit of \$3.2 billion. **Figure 5**

The largest cut was in the capital budget which fell from \$608 million to \$118 million. State agency operations fell by \$388 million to \$4.091 billion. Statewide operations increased by \$243 million primarily due to inclusion of the annual appropriation to pay down the PRS/TRS liability.

State Assistance to Pay Down PRS/TRS Liability Projected to Increase

The annual state general fund appropriation to pay down the \$9 billion liability of the state's two large retirement accounts, the Public Employee Retirement System (PRS) and the Teachers' Retirement System (TRS) is projected to continue through 2039 at an increasing amount. The payment, which this year will be \$263 million, will increase faster than inflation and is currently projected to be \$743 million in the final year of the pay-down in 2039. **Figure 6**

Housing Cost Varies Across the State

Because housing is one of the largest items in a household budget, it is often used as a proxy for the cost of living in different locations. The cost can vary based on a number of factors influencing both supply, like building costs, and demand, like demographics, the health of the local economy, and quality of housing. Kodiak currently has the most expensive rental market based on data from the Alaska Housing Finance Corporation. The cost of a two-bedroom apartment there is nearly twice the cost in Wrangell-Petersburg. **Figure 7**

Urban-Rural Migration Rates Relatively Stable

The rates at which Alaskan's move between rural and urban parts of the state have declined only slightly over the last 20 years. **Figure 8**

Less than four percent of the population moves between urban and rural Alaska. The percent moving out of rural Alaska is much larger than the reverse flow. However the natural increase has kept the rural population from declining.

Slowdown of New Residential Construction in Fairbanks

The number of new residential structures in the Fairbanks North Star Borough fell to 245 in 2014, the lowest level in at least 14 years. **Figure 9**

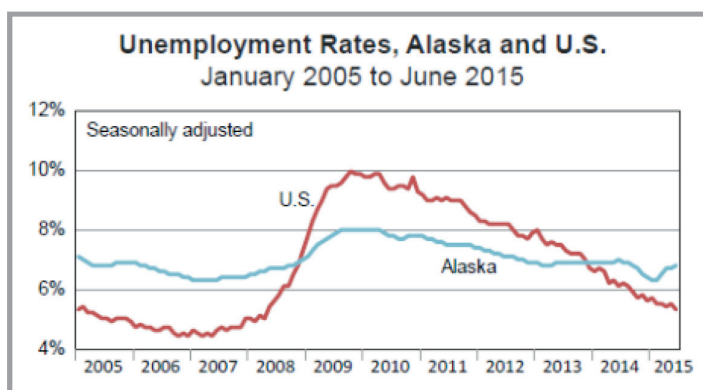


Figure 1

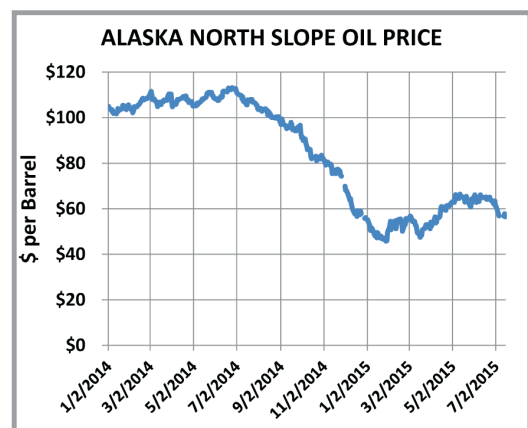


Figure 2

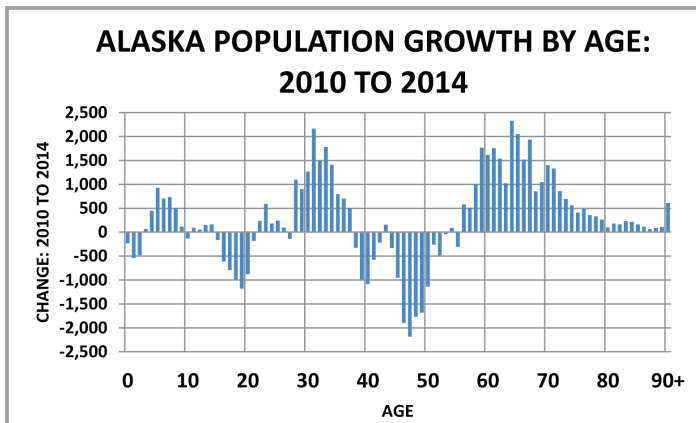


Figure 3

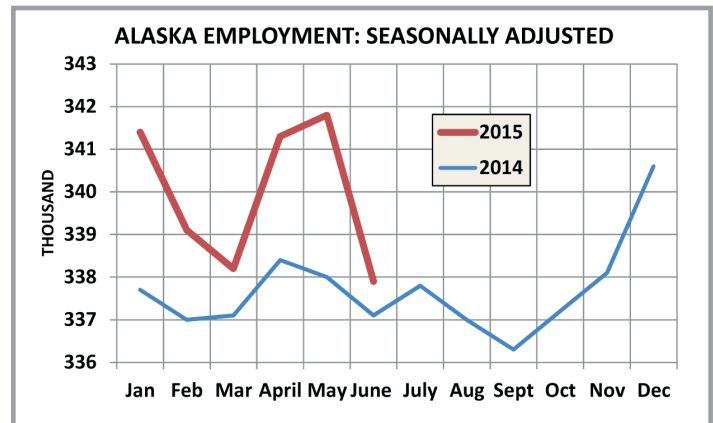


Figure 4

GENERAL FUND	FY 2015	FY 2016	FY 2016 CUTS
MILLION \$			
TOTAL SPEND	\$ 6,013	\$ 5,378	\$ 635
Operations	\$ 5,405	\$ 5,260	\$ 145
Agency	\$ 4,479	\$ 4,091	\$ 388
Non-Formula	\$ 2,280	\$ 2,026	\$ 254
Formula (inc K-12)	\$ 2,199	\$ 2,065	\$ 134
Statewide	\$ 926	\$ 1,169	\$ (243)
Debt Service	\$ 213	\$ 206	\$ 7
PRS/TRS	\$ 5	\$ 263	\$ (258)
Oil Tax Credits	\$ 625	\$ 700	\$ (75)
Paid	\$ 625	\$ 500	
Deferred	\$ -	\$ 200	
Revenue Sharing	\$ 52	\$ -	\$ 52
Miscellaneous	\$ 31	\$ -	\$ 31
Capital	\$ 608	\$ 118	\$ 490
REVENUES	\$ 2,216	\$ 2,206	
DEFICIT	\$ 3,797	\$ 3,172	

Source: Office of Management and Budget, June 30, 2015. Deferred oil and gas tax credits added by author.

Figure 5

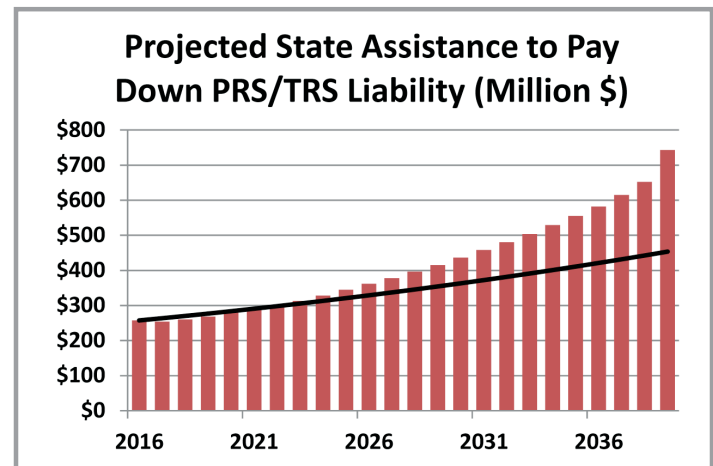


Figure 6

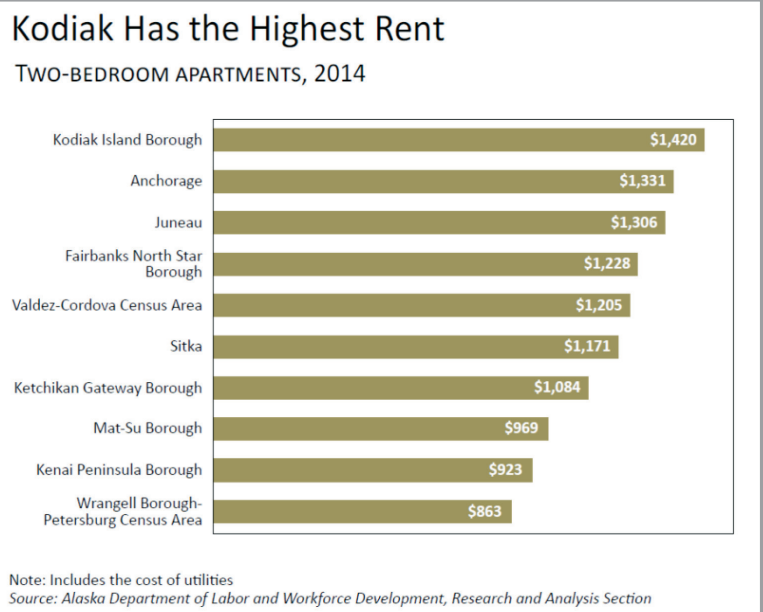


Figure 7

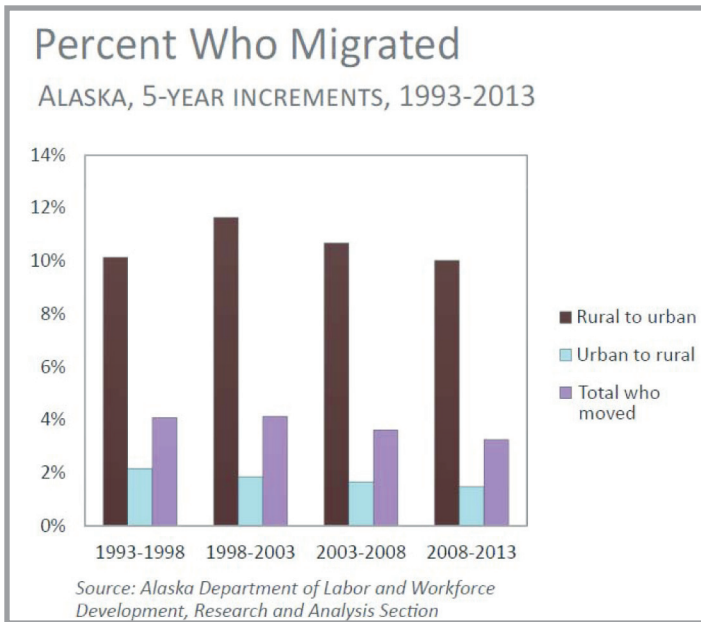


Figure 8

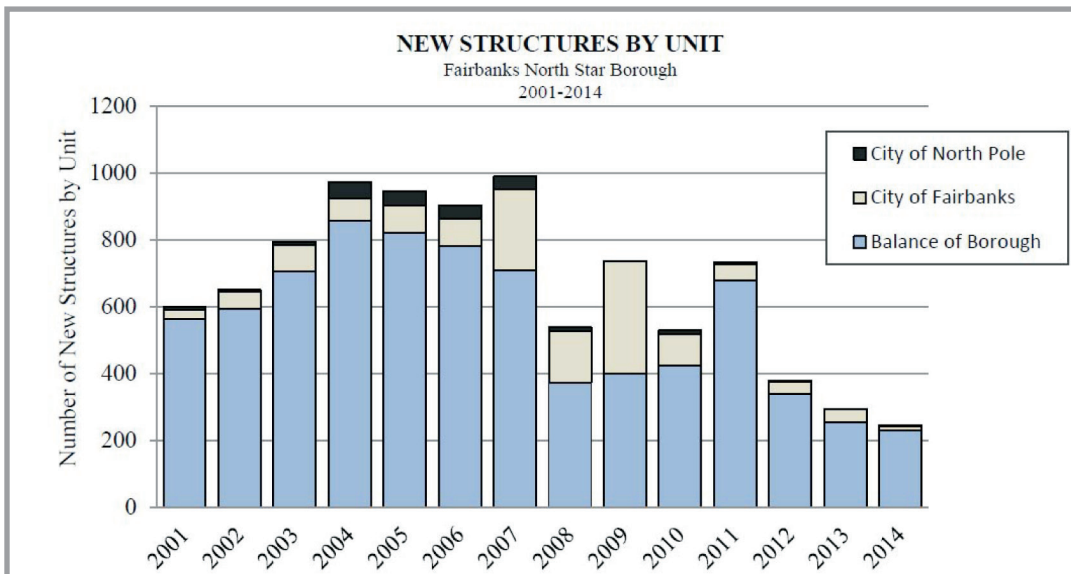


Figure 9