

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,

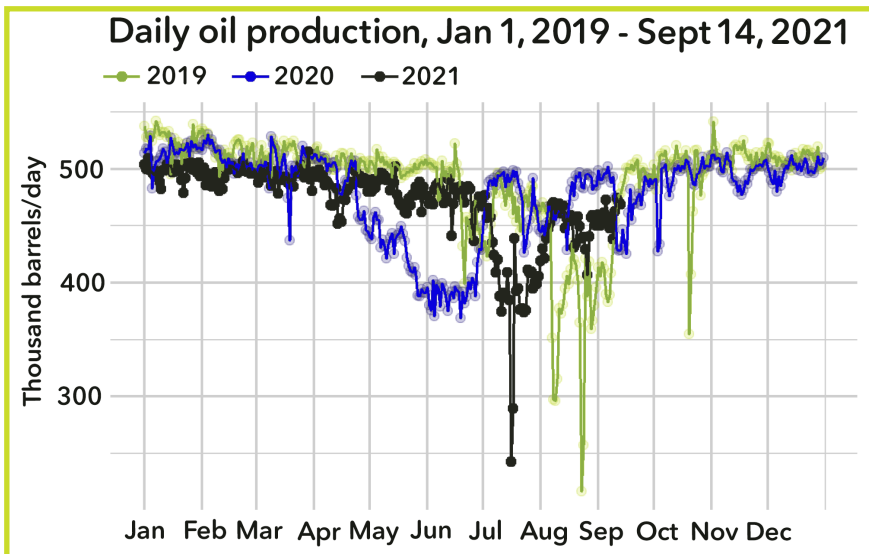
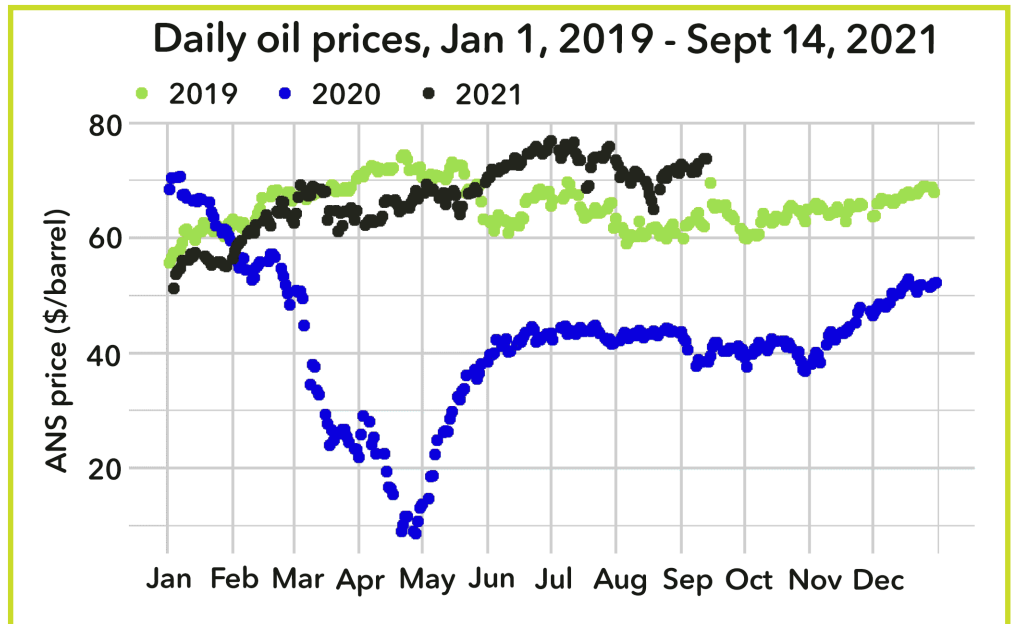
August saw the release of the 2020 U.S. Census counts. While more people lived in Alaska in 2020 than 2010, this high-level trend masks local changes and the recent trend of people leaving the state.

The legislature has been working as part of a special session to address the state's structural deficit. This includes proposals for changing the PFD's formula, cutting spending, and raising additional revenues, including changes to oil taxes. Whether these proposals will be implemented and what their ultimate effects will be is still uncertain.



Oil prices rise above \$70 per barrel

Alaska's benchmark oil price, ANS West Coast, was \$73.81 per barrel on September 14. In August, daily prices averaged \$70.28. ▼



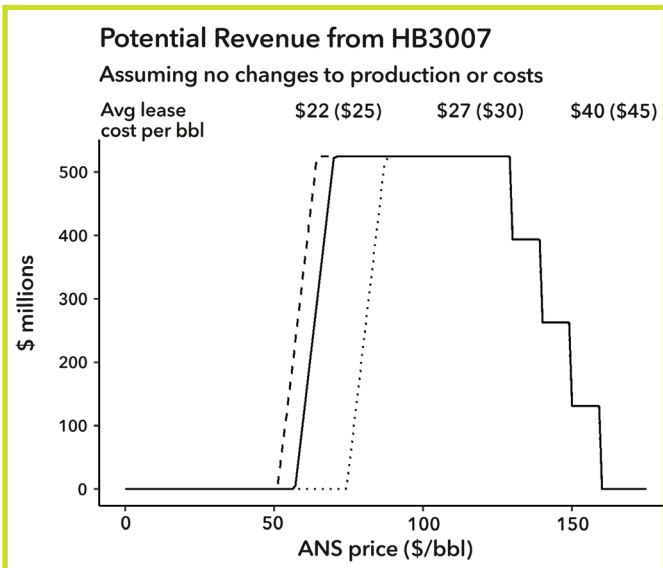
Oil production in last three years

Daily oil production in Alaska was 469,000 barrels on September 14. In August, daily production averaged 447,000 barrels. This compares to 472,000 barrels in August 2020 and 390,000 barrels in August 2019. ◀



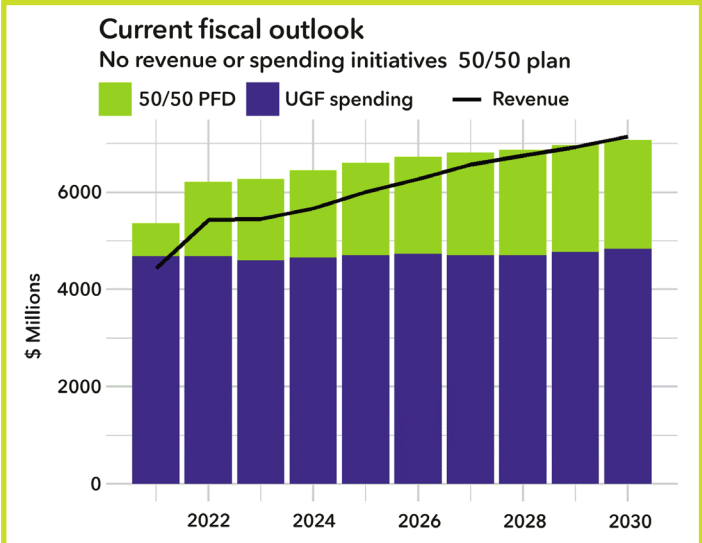
Potential revenue from changing oil taxes highly uncertain

In September, the State house Ways and Means Committee met to consider reducing the tax credit per barrel North Slope oil producers use to reduce their tax liability. This is one of several proposed measures to raise additional revenue to help close Alaska's structural deficit. How much additional revenue is produced depends on many key factors, including the cost and quantity of oil produced, and most importantly the price of oil. Assuming current costs and production stay the same, reducing the per-barrel credits from \$8 per barrel to \$4 would create additional revenue. At prices between \$70 to \$100 per barrel, the reduction could raise up to \$500 million. As recent prices have been in the range of \$50 to \$70, the additional revenue HB3007 (or similar measures) could raise is uncertain as potential revenue is sensitive to price. Added uncertainty stems from how much the tax might deter drilling and production activity on the North Slope. ▼



Fiscal outlook under proposed 50/50 PFD plan

On August 10, the Department of Revenue commissioner presented an updated fiscal outlook for the Legislative Fiscal Policy Working Group. The presentation contained the latest projections for oil prices and presented a scenario based on the governor's proposal to split the earnings from the Permanent Fund, with 50% going to the state's General Fund to pay for government services, and 50% allocated to PFDs. Under this hypothetical scenario, government spending (UGF) would be mostly flat through the decade and no new taxes or other revenues are included. As oil prices and production are expected to increase, the Permanent Fund is expected to grow. A larger fund also increases the size of the PFD. However, a deficit remains in the budget until 2029. The governor and legislature have proposed additional budget cuts and revenue measures to close this deficit. ▼



ALASKA'S ECONOMY



Components of Alaska's change in population

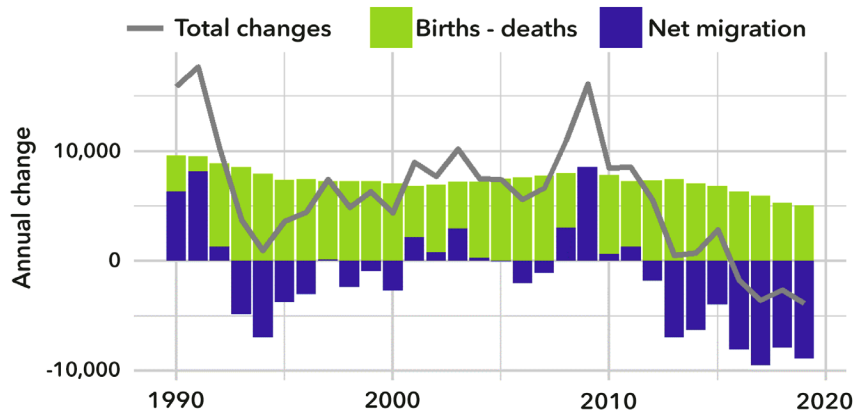
The recently completed census shows that more people were living in Alaska in 2020 than 2010. However, this data masks two important trends. First, the natural increase in the population from births has declined. For every 1,000 Alaskans in 2010, 16 were born and five died. By 2020, births have fallen to 13 per 1,000 while deaths have risen to six per 1,000 people. Second, and more significantly for the overall trend in population change, the number of people moving to and from the state has shifted. In 2010, around 40,000 people moved to Alaska, while 40,000 left. In 2020, 35,800 people moved to Alaska, while 44,700 moved away. ▼



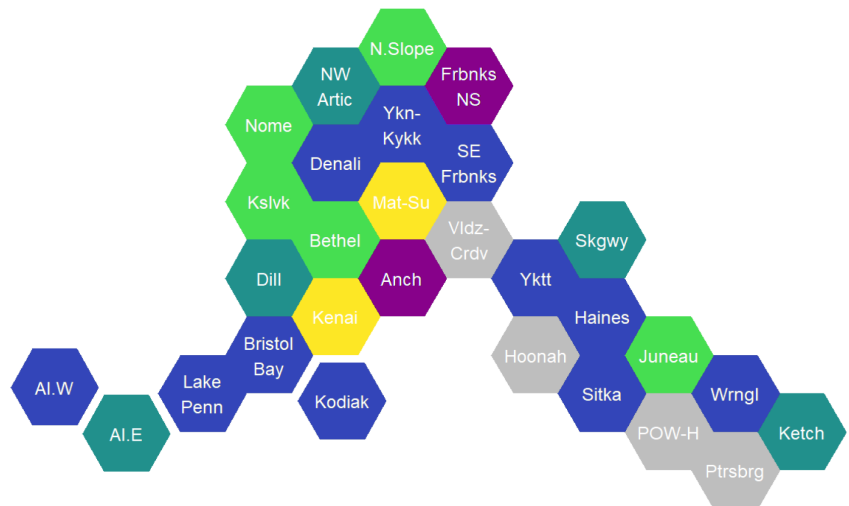
2020 census data illustrates changes in Alaska

In August, the U.S. Census Bureau released the results of the 2020 survey of the U.S. population. Between 2010 and 2020, Texas saw the largest growth in the number of residents, followed by Florida, California, Georgia and Washington. These five states accounted for half of the total population growth in the entire country over the last decade. Alaska's population grew by 23,160 people over the last decade. The state's current population is 733,391 people. The Mat-Su and Kenai boroughs grew the most by 18,000 and 3,300 people respectively. The Bethel and North Slope boroughs grew by about 1,600 people each. Anchorage and Fairbanks shrunk by 1,900 and 600 people, respectively. While the population of Alaska was higher in 2020 than 2010, the majority of this growth was concentrated in the beginning of the decade. More recently, due to Alaska's oil-price-driven recession, the state's population has been shrinking. ►

Components of Alaska population change 1990-2020



- Lost > 500
- Grew < 500
- Grew > 2K
- Lost < 500
- Grew 500 > 2K
- NA

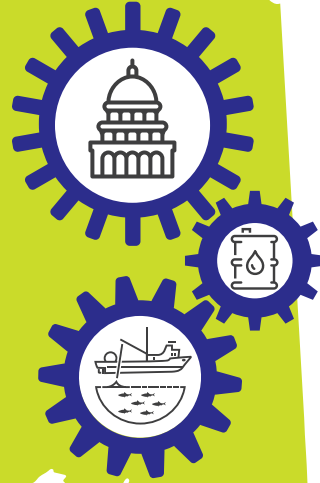


ALASKA'S ECONOMY

Did you know...

in 2020 about
35,800 people
moved to Alaska?

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



PRSR1 STD
U.S. POSTAGE
PAID
ANCHORAGE, AK
PERMIT NO. 175

ANCHORAGE, AK 99510-0720
P.O. Box 100720

ALASKA
First National Bank

