PETROLEUM IN ALASKA’S FUTURE: WHY SHOULD RURAL ALASKA CARE?

Primary Financial Support from

Northrim Bank
Customer First Service

STATE of ALASKA
UNIVERSITY of ALASKA FOUNDATION

Oil and the Alaska Economy
The 3 Legged Stool

[Image of a stool with three legs labeled 'Federal Govt', 'Petroleum', and 'Other Resources']

Oil and the Alaska Economy
Half the Jobs in Alaska Can be Traced to Petroleum

واقع 2007:
- 374,000олж
- 34%_oil
- 11%_seafood, mining, timber
- 13%_tourism, air cargo
- 7%_other
- 7%_other

واقع 2007:
- 187,000_олж
- 34%_oil
- 127,000_油田 jobs
- 60,000_油田 wealth

Oil and the Alaska Economy
Without Petroleum: A Very Different Alaska

- SMALL: 187 thousand jobs
- THIN
- SEASONAL
- TRANSIENT
- FEDERAL DOMINATION
- INFRASTRUCTURE UNDERDEVELOPED
- LIMITED TAX BASE
- POOR: Income 10-20% below US average

2007 Without Oil
187,000 jobs

Federal government 59%
Seafood, mining, timber 16%
Tourism, air cargo 7%
Other 18%
Oil
2/3 of the Job Growth Since Statehood Due to Petroleum
# Petroleum Production: Jobs From the Oil Patch

<table>
<thead>
<tr>
<th>Category</th>
<th>Jobs ( Thousands )</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>44,800</td>
</tr>
<tr>
<td>Other Indirect and Induced</td>
<td>26,033</td>
</tr>
<tr>
<td>Other Support</td>
<td>7,100</td>
</tr>
<tr>
<td>Petroleum Industry Support</td>
<td>7,670</td>
</tr>
<tr>
<td>Primary Companies</td>
<td>3,997</td>
</tr>
</tbody>
</table>

Source: McDowell Group, 2011.
A Troubling Indicator:

Oil Barrels per Capita
oilfield services

Dowland-Bach, Inc

Dowland-Bach was founded in 1975 to meet the need for fail-safe wellhead and flowline protection for the Prudhoe Bay oilfield on Alaska’s North Slope. Dowland-Bach has since expanded into the engineering and design fields, providing a comprehensive suite of services to clients. Dowland-Bach prides itself on delivering products that operate successfully in remote locations, providing customers with years of trouble-free service. The Company maintains a large, diversified customer base and has the capability to engineer and manufacture products to meet the needs of our clients. Other specialties include customized stainless steel fabrication, electrical control systems, custom engraving and specialized flex-cable production.
NORTH SLOPE
JOBS AVAILABLE
FOR ALASKA RESIDENTS

CH2M Hill Training Camps

Direct Partnership between CH2M Hill, Alaska Department of Labor, 
Alaska Native/Village Corporations, Alaska National Guard, and 
Southwest Alaska Vocational and Education Center (SAVEC).

CH2M Hill will provide participants with the specific skills re-
quired to obtain jobs as General Maintenance Technicians 
(GMT’s). First year GMT’s average $50,000 annually (regular 
pay plus overtime) which immediately provides the participant 
with the opportunity to earn at least the average annual wage 
in Alaska. GMT’s will typically work two 80 hour work weeks 
with two weeks off.

Training is Industry Specific and will result in industry-
recognized skills and certifications through the National Center 
for Construction Education and Research (NCCER).

Successful completion of all training courses will most likely 
result in employment for participants. Students will receive 
hands-on training from journeyman level instructors.

These three weeks of training will be designed for students de-
siring careers in general maintenance. Twenty applicants will 
be selected and all successful graduates will be considered for 
employment by CH2M Hill.

Applications will currently 
be accepted through 
Feb 17, 2012

Applications are available from:

Anchorage: 
Trevor O’Hara, CH2M Hill 
907-550-8151 or e-mail: 
Trevor.Ohara@CH2M.com

King Salmon: 
SAVEC, www.savec.org 
907-248-4800 or e-mail 
becky@savec.org or 
anne@savec.org

Minimum Requirements

• An Alaskan resident
• 18 years or older
• Completed high school or have 
  GED - transcript required
• Valid Alaska driver’s license with 
  access to 5 year driving record
• Must pass a drug check indicato

• Students will be required to pay 
  their own transportation expense 
  (airfare RT) to SAVEC for the three 
  week training camp.
• Housing, meals are included in the 
  training.
• Financial assistance may be availa-
  ble from regional organizations for all 
  qualifying individuals within their ser-
  vice area.
• The University of Alaska Fairbanks 
  may provide credit through the UAF 
  Bristol Bay Campus and Housing 
  and Urban Development Grant.
• A Background Check will be con-
  ducted by CH2M/HILL for those who 
  are selected for a primary/alternate 
  training slot.
Petroleum Revenues

Direct Effect #2

$157 Billion

SAVE $37 Billion

Lighter Tax Burden

$50 Billion

SPEND $120 Billion

Greater Public Spending

$70 Billion

59-10 in 2010 $
Petroleum Revenues: Jobs From Government Spending

Assumption: All Spent Petroleum Revenues Pay for Operations.

TOTAL JOBS = 49 THOUSAND

Petroleum Revenue Spending

STATE GOVERNMENT EMPLOYEES
16 Thousand

PRIVATE SECTOR JOBS
18 Thousand

LOCAL GOVERNMENT EMPLOYEES
15 Thousand

Petroleum Revenues:
Jobs From Government Spending
## Operating Spending from Petro $${}$$

<table>
<thead>
<tr>
<th>Region</th>
<th>Jobs</th>
<th>Earnings</th>
<th>Earnings %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aleutians East</td>
<td>287</td>
<td>$8.8</td>
<td>15%</td>
</tr>
<tr>
<td>Aleutians West</td>
<td>532</td>
<td>$21.5</td>
<td>15%</td>
</tr>
<tr>
<td>Bristol Bay Bor</td>
<td>183</td>
<td>$8.6</td>
<td>15%</td>
</tr>
<tr>
<td>Dillingham</td>
<td>685</td>
<td>$22.8</td>
<td>24%</td>
</tr>
<tr>
<td>Kodiak</td>
<td>1,155</td>
<td>$47.7</td>
<td>20%</td>
</tr>
<tr>
<td>Lake and Pen</td>
<td>377</td>
<td>$10.9</td>
<td>40%</td>
</tr>
</tbody>
</table>

State and Local Government Jobs combined

Oil and the Alaska Economy
Construction Spending from Petro $$

KODIAK HOUSE DISTRICT

$35 Million

FY2012 State Capital Budget

Oil and the Alaska Economy
Other Spending from Petro $$: Some Examples

- Power Cost Equalization
- Medicaid
- Energy Rebate Program
- Alaska State Ferry Operating Subsidy
Local Tax Capacity?

MINING
$8,000 / Oz.

TOURISM
$4,000 / Visitor

SEAFOOD
$40 / Salmon

Excise Tax to Raise $6 Billion

Oil and the Alaska Economy
Alaska Permanent Fund Dividend
Family of 4: Annual Benefit

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>$25,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>PFD</td>
<td>$5,000</td>
</tr>
<tr>
<td>NO TAXES</td>
<td>$10,000</td>
</tr>
<tr>
<td>EXTRA SPEND</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

* Adjusted for lower cost of living in Maine.

Oil and the Alaska Economy
Spinoffs from Petroleum

Population twice as big

Public spending per resident double the U.S. average

Economy twice the size, richer, more stable

No personal state income or sales tax
Light state tax burden for most businesses

Spinoffs from oil wealth

Oil and the Alaska Economy
Petroleum Spinoff:
Lite Tax Burden on Households

$2,500 per capita*

* Based on national average state income and sales tax rates in 2011.
Petroleum Spinoff: Lite Tax Burden on Resource Industries

State & Local Revenues from Seafood, Tourism, Mining, Timber

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual (avg 05-07)</td>
<td>$200 mill</td>
</tr>
<tr>
<td>If Oil $ Disappeared</td>
<td>$900</td>
</tr>
<tr>
<td>Incremental Burden, no Oil $</td>
<td>$700</td>
</tr>
<tr>
<td>Increase in Tax Rate</td>
<td>4 X</td>
</tr>
</tbody>
</table>

Oil and the Alaska Economy
Petroleum Spinoff: Enhanced Public Spending

Spinoff Effect #3

Oil and the Alaska Economy
Petroleum Spinoff: Stability

Bristol Bay

Denali Borough

Oil and the Alaska Economy
Petroleum Wealth in the Bank (Billion $)

<table>
<thead>
<tr>
<th>FINANCIAL ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Fund</td>
<td>$40</td>
</tr>
<tr>
<td>Constitutional Budget Reserve</td>
<td>$12</td>
</tr>
<tr>
<td>Statutory Budget Reserve</td>
<td>$1</td>
</tr>
<tr>
<td>General Fund</td>
<td>$2</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
</tr>
</tbody>
</table>
## Petroleum Wealth in the Ground

<table>
<thead>
<tr>
<th>Future Revenues</th>
<th>Future Revenues</th>
<th>Source/Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Land—North Slope 2013-2021</td>
<td>$46</td>
<td>Alaska Department of Revenue</td>
</tr>
<tr>
<td>State Land—North Slope 2022+</td>
<td>$30</td>
<td>Author estimate</td>
</tr>
<tr>
<td>State Land—Other Locations</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>State Land—Heavy Oil</td>
<td>$1</td>
<td>Author estimate</td>
</tr>
<tr>
<td>Federal NPRA</td>
<td>-</td>
<td>Included in ADOR forecast</td>
</tr>
<tr>
<td>Federal OCS</td>
<td>$1</td>
<td>Author estimate</td>
</tr>
<tr>
<td>Federal ANWR</td>
<td>-</td>
<td>Author estimate</td>
</tr>
<tr>
<td>Gas</td>
<td>$7</td>
<td>TransCanada AGIA Application adjusted by author</td>
</tr>
</tbody>
</table>
PETROLEUM IN ALASKA’S FUTURE: WHY SHOULD RURAL ALASKA CARE?

by
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Southwest Alaska Municipal Conference
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