

The Role of the Oil and Gas Industry in Alaska's Economy

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The sources for all figures and tables are Study Team estimates based on IMPLAN analysis of the oil and gas industry in Alaska, using data gathered in 2008 by the Study Team, unless otherwise noted.

COVER PHOTOS

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ACRONYMS

AOGA	Alaska Oil and Gas Association
ASRC	Arctic Slope Regional Corporation
BEA	U.S. Bureau of Economic Analysis
CBRF	Constitutional Budget Reserve Fund
DOLWD	Alaska Department of Labor and Workforce Development
FNSB	Fairbanks North Star Borough
FIRE	Finance, Insurance and Real Estate
GSP	Gross State Product
IMPLAN	Implan economic impact analysis software
KPB	Kenai Peninsula Borough
NAICS	North American Industry Classification System
NPR-A	National Petroleum Reserve – Alaska
NSB	North Slope Borough
TAPS	Trans Alaska Pipeline System

EXECUTIVE SUMMARY

The oil and gas industry has far-reaching effects on the economy of Alaska. The industry continues to outspend all other non-governmental industries, contributing the majority of funds to the state general fund through taxes and royalties, donating millions to local charitable organizations, and creating thousands of high wage jobs.

This report takes a second look at how the industry affects Alaska's economy as follow-up to an initial study conducted in 2000. At that time, the Alaska Oil and Gas Association and the Alaska Support Industry Alliance commissioned a study to quantify the important role the oil and gas industry plays in the Alaska economy. Published in January 2001, the report looked at industry activity in calendar year 1999. Prior to that effort the scope of the industry's economic influence had been widely speculated upon and was commonly understood to be significant but had never been objectively assessed.

Divining information about the reach of the industry is not an easy task. Although both state and federal governments report on the industry, the picture painted is somewhat blurry. Oil production is often included as part of the "mining" sector; oil refining may be folded into "manufacturing" statistics without delineation; and pipeline operations are rolled into the broad category of "transportation, communications, and utilities."

In the first study for AOGA, the Information Insights and McDowell Group team analyzed regional impacts on the Municipality of Anchorage, Fairbanks North Star Borough, Kenai Peninsula Borough, Matanuska-Susitna Borough, and the City of Valdez, examining direct, indirect and induced economic effects of the industry in these regions and communities.

Eight years later, much has changed. We find that industry spending is up, with increases in both payroll and purchasing; the oil and gas industry remains a driving force in the state economy and a primary economic driver at the regional level. Improvements in methodology and the software used to analyze data give us a new perspective on industry impacts in Alaska. Due to the broadened regional scope of the report and modifications in the analytical software (IMPLAN input/output economic modeling), direct comparison with the 2001 report is not advised.

The 2008 report quantifies the economic role of the oil and gas industry on Alaska and on specific regions within the state in calendar year 2007: the Municipality of Anchorage, FNSB, KPB, Matanuska-Susitna Borough, North Slope Borough, Valdez region and other Alaska.

KEY FINDINGS

OIL AND GAS IS ALASKA'S LARGEST NONGOVERNMENTAL INDUSTRY.

- The industry generates 12 percent of the private sector jobs in Alaska and 21 percent of private sector payroll.

OIL AND GAS ACTIVITY CREATES 41,744 JOBS, 9.4 PERCENT OF ALL EMPLOYMENT IN THE STATE AND 11.2 PERCENT OF ALL WAGES, AT \$2.4 BILLION.

- Employment and payroll include direct impacts of 4,497 jobs and \$643.8 million in payroll for the primary companies.
- Indirect and induced effects include: \$5 billion industry spending in Alaska on goods, services and capital, generating 8,410 support industry jobs and \$769.2 million in payroll.¹
- An additional 28,837 jobs, with \$987 million in payroll, are created throughout the rest of the Alaska economy by support industry spending on payroll and purchasing, and by primary company employee spending.

THE OIL AND GAS INDUSTRY HAS THE HIGHEST AVERAGE WAGE IN ALASKA.

- The average primary company pays a monthly wage of \$12,737 – 3.5 times higher than the statewide average of \$3,627.²

STATE REVENUES

- Oil and gas revenues represent 88 percent of Alaska's unrestricted general fund sources. Oil tax revenue has a significant effect on the state's ability to provide services to Alaskans.
- The industry pays local property taxes totaling \$236 million (FY2007) on \$15.6 billion in oil and gas production property.

THE INDUSTRY GAVE MORE THAN \$28 MILLION IN CHARITABLE CONTRIBUTIONS IN 2007.

- Beneficiaries of industry charitable spending included community foundations, the University of Alaska – all campuses and statewide – social service agencies, the United Way, and arts and cultural organizations throughout the state.
- By comparison, Alaska-based foundations reported total giving of \$21.6 million in 2004, the most recent year for which data is available.³ Because foundation giving in Alaska continues to increase, this figure provides a relative gauge but does not present current totals.

¹ Total jobs in each region include “direct” jobs (employees of primary companies), “indirect” jobs (created by companies providing goods and services to the primary companies), and “induced” jobs (created when direct and indirect employees spend their personal income locally).

² DOLWD Quarterly Census of Employment & Wages 2007

³ The Foraker Group Report on the Alaska Nonprofit Economy, by Scott Goldsmith, University of Alaska Institute for Social and Economic Research, December 2006

DIRECT EMPLOYMENT AND PAYROLL FOR THE OIL AND GAS INDUSTRY PLAYS A SIGNIFICANT ECONOMIC ROLE IN EACH OF THE STUDY AREAS. OIL AND GAS IS THE LARGEST INDUSTRY IN MOST OF THE REGIONS INCLUDED IN THIS STUDY.

- Oil and gas generates more payroll than any other nongovernmental industry in Anchorage, FNSB, KPB, NSB and Valdez. Oil and gas is second only to the service industry in the Matanuska-Susitna Borough.
- **Municipality of Anchorage (Anchorage)** – the industry directly employed 1,649 area residents in oil and gas extraction, refinery and pipeline sectors, with combined wages of \$294.6 million.
- **Fairbanks North Star Borough (FNSB)** – the industry directly employed 353 borough residents, with an associated payroll of \$39.4 million.
- **Kenai Peninsula Borough (KPB)** – the industry directly employed 939 borough residents with associated wages of \$99.1 million.
- **Matanuska-Susitna Borough (Mat-Su)** – The industry directly employed 830 Mat-Su residents with \$98.2 million in wages; none of these jobs are located within the borough.
- **North Slope Borough (NSB)** – The primary work of the industry occurs in the NSB and significant tax revenues flow to the borough, but employment and spending impacts generally occur elsewhere in the state.
- **Valdez-Cordova Census Area** – the industry directly employed 284 people with associated wages of \$35.5 million.

The tables on the following pages provide additional regional breakouts of the study findings.

Table 1 tells where oil and gas industry jobs are located and how much payroll is generated by those jobs. However, it is inaccurate to assume payroll impacts from these industry jobs are felt primarily in the communities in which the work occurs. Oil industry workers live in all parts of Alaska as well as outside the state.

Table 1: Total Primary Company Employment and Payroll by Location of Work

	Employment by Place of Work	Payroll by Place of Work (\$ millions)
Anchorage	1,618	\$313.8
Fairbanks	312	\$34.8
Kenai	427	\$47.1
Mat-Su	0	\$0.0
North Slope	1,741	\$198.7
Valdez	284	\$35.5
Unattributed (Other Alaska)	115	\$13.9
Total Alaska	4,497	\$643.8

Note: The sources for all figures and tables are Study Team estimates based on IMPLAN analysis of the oil and gas industry in Alaska, using data gathered in 2008 by the Study Team, unless otherwise noted.

Table 2 uses W-2 data received directly from the primary companies to show the amount of payroll by residence of the employee. Significant differences can be seen between employment and payroll numbers by place of work and the same numbers by place of residence. The Matanuska-Susitna Borough, with no place-of-work employment and the North Slope Borough with small place-of-residence employment, are the extreme cases.

The Municipality of Anchorage is the exception; although more people live and work in Anchorage than in any other location in Alaska, the total primary company payroll for Anchorage residents comes in lower than the total primary company payroll by place of work due to the number of Anchorage-based employees who reside elsewhere – namely Mat-Su.

Table 2: Total Primary Company Employment and Payroll by Place of Residence

	Employment by Place of Residence	Payroll by Place of Residence (\$ millions)
Anchorage	1,649	\$294.6
Fairbanks	353	\$39.4
Kenai	939	\$99.1
Mat-Su	830	\$98.2
North Slope	4	\$0.4
Valdez	284	\$35.5
Unattributed (Other Alaska)	438	\$76.6
Total Alaska	4,497	\$643.8

Table 3 shows total impact of the oil and gas industry by region. Industry generated jobs include direct employment with primary companies, employment with a support activity business and the effects of payroll spending of primary company employees in the communities in which they live. The data includes local support activity business spending on purchasing and payroll. The project team used IMPLAN to model how industry-generated dollars rippled through each regional economy.

Table 3: Total Petroleum Industry Economic Impact by Region

Region	Employment by Place of Residence	Payroll by Place of Residence (\$ millions)	Total Regional Payroll (\$ millions)	Total Regional Payroll (percent)
Anchorage	23,944	\$1,435.9	\$8,658.0	16.6%
Fairbanks	3,250	\$176.0	\$2,983.9	5.9%
Kenai	4,603	\$262.3	\$1,110.7	23.6%
Mat-Su	3,031	\$231.4	\$1,920.6	12.1%
North Slope	984	\$40.4	\$270.0	15.0%
Valdez	684	\$53.5	\$155.0	34.5%
Unattributed (Other Alaska)	5,248	\$211.0		
Total Alaska	41,744	\$2,410.5		

Economic effects of the industry are significant in each of the study areas, with the largest employment impacts in the Anchorage, Fairbanks, Kenai, and Mat-Su regions.

Municipality of Anchorage

In the Municipality of Anchorage the industry directly employed 1,649 area residents in oil and gas extraction, refinery and pipeline sectors with combined wages of \$294.6 million. Support activity positions filled by Anchorage residents totaled 3,543 with \$349.3 million in wages in 2007. Indirect and induced employment in Anchorage totals 22,295 jobs with an associated \$1.1 billion in payroll (this number includes support activity employment and wages).⁴

The impact of the industry is expanded by the large number of Anchorage residents who work in oil industry jobs outside the Municipality but spend most of their paychecks within its boundaries. An estimated 2,404 Anchorage residents are employed by primary companies or support services at worksites outside the municipality. These residents earn wages of \$194 million, money that goes to support households and stimulate the economy in Anchorage.

The industry's total impact is 23,944 jobs with \$1.4 billion in wages, representing 12.0 percent of total employment and 16.6 percent of total regional payroll.

Table 4: Oil and Gas Industry-related Employment and Payroll by Place of Residence, Anchorage

	2007
Direct Employment	1,649
Direct Payroll (\$ millions)	\$294.6
Indirect and Induced Employment	22,295
Indirect and Induced Payroll (\$ millions)	\$1,141.3
Total Oil & Gas Industry-related Employment	23,944
Total Oil & Gas Industry-related Payroll (\$ millions)	\$1,435.9
Total Anchorage Employment (2006) ⁵	199,829
Percent Oil & Gas Industry Related	12.0%
Total Anchorage Payroll (2006, \$ millions)	\$8,658.0
Percent Oil & Gas Industry Related	16.6%

⁴ Total jobs in each region include "direct" jobs (employees of primary companies), "indirect" jobs (created by companies providing goods and services to the primary companies), and "induced" jobs (created when direct and indirect employees spend their personal income locally).

⁵ 2006 Employment and Payroll data is from DOLWD.

Fairbanks North Star Borough

In the Fairbanks North Star Borough the industry directly employs 353 borough residents with an associated payroll of \$39.4 million. Support activity positions offer employment to another 709 residents with payroll of \$59.5 million. All but roughly 100 of the primary company and support activity jobs held by FNSB residents are located within the borough.

An additional 2,188 jobs are created by the indirect and induced effects of industry spending and spending by employees of the primary companies and support services for total indirect and induced employment of 2,897⁶. Indirect and induced jobs account for \$136.6 million in wages. The total industry impact in the borough is 3,250 jobs, paying wages of \$176.0 million. This represents 5.5 percent of total employment and 5.9 percent of the total regional payroll.

Table 5: Oil and Gas Industry-related Employment and Payroll by Place of Residence, Fairbanks

	2007
Direct Employment	353
Direct Payroll (\$ millions)	\$39.4
Indirect and Induced Employment	2,897
Indirect and Induced Payroll (\$ millions)	\$136.6
Total Oil & Gas Industry-related Employment	3,250
Total Oil & Gas Industry-related Payroll (\$ millions)	\$176.0
Total FNSB Employment (2006)	59,080
Percent Oil & Gas Industry Related	5.5%
Total FNSB Payroll (2006, \$ millions)	\$2,983.9
Percent Oil & Gas Industry Related	5.9%

⁶ Total jobs in each region include “direct” jobs (employees of primary companies), “indirect” jobs (created by companies providing goods and services to the primary companies), and “induced” jobs (created when direct and indirect employees spend their personal income locally).

Kenai Peninsula Borough

In the Kenai Peninsula Borough the industry directly employs 939 borough residents with associated wages of \$99.1 million. Support activity jobs provide employment to another 1,274 residents with payroll of \$101.3 million. Within the KPB nearly one of every two residents working in the oil industry must leave the borough to do so.

Indirect and induced employment in the borough accounts for a total of 3,664 jobs with and \$163.2 million in wages created by industry spending and spending by employees of the primary companies and support services.⁷ The total industry impact in the KPB is 4,603 jobs paying wages of \$262.3 million, representing 14.9 percent of total employment and 23.6 percent of total regional payroll.

Table 6: Oil and Gas Industry-related Employment and Payroll by Place of Residence, KPB

	2007
Direct Employment	939
Direct Payroll (\$ millions)	\$99.1
Indirect and Induced Employment	3,664
Indirect and Induced Payroll (\$ millions)	\$163.2
Total Oil & Gas Industry-related Employment	4,603
Total Oil & Gas Industry-related Payroll (\$ millions)	\$262.3
Total KPB Employment (2006)	30,855
Percent Oil & Gas Industry Related	14.9%
Total KPB Payroll (2006, \$ millions)	\$1,110.7
Percent Oil & Gas Industry Related	23.6%

⁷ Total jobs in each region include “direct” jobs (employees of primary companies), “indirect” jobs (created by companies providing goods and services to the primary companies), and “induced” jobs (created when direct and indirect employees spend their personal income locally).

Matanuska-Susitna Borough

The Matanuska-Susitna Borough is impacted by the oil and gas industry in a less direct manner. With more than a third of its workforce employed in Anchorage the Mat-Su is impacted by industry spending in Anchorage and industry employment around the state. The industry directly employs 830 Mat-Su residents with \$98.2 million in wages; none of these jobs are located within the borough.

Indirect and induced employment for the borough is estimated at 2,201 positions with wages of \$133.2 million⁸. Total industry impact in the Mat-Su Borough is 3,031 jobs and \$231.4 million in wages to local residents, representing 10 percent of total employment and 12.1 percent of total regional payroll.

Table 7: Oil and Gas Industry-related Employment and Payroll by Place of Residence, Mat-Su Borough

	2007
Direct Employment	830
Direct Payroll (\$ millions)	\$98.2
Indirect and Induced Employment	2,201
Indirect and Induced Payroll (\$ millions)	\$133.2
Total Oil & Gas Industry-related Employment	3,031
Total Oil & Gas Industry-related Payroll (\$ millions)	\$231.4
Total Mat-Su Employment (2006)	30,441
Percent Oil & Gas Industry Related	10%
Total Mat-Su Payroll (2006, \$ millions)	\$1,920.6
Percent Oil & Gas Industry Related	12.1%

⁸ Total jobs in each region include “direct” jobs (employees of primary companies), “indirect” jobs (created by companies providing goods and services to the primary companies), and “induced” jobs (created when direct and indirect employees spend their personal income locally).

North Slope Borough

In the North Slope Borough industry impacts are felt differently than the rest of the state. The majority of industry extraction and exploration activity occurs on the North Slope, but the vast majority of industry workers on the North Slope live elsewhere. Wages paid to non-local workers are not spent in the North Slope Borough so the effect of employment spending is lessened.

On the flip side, while most North Slope workers live elsewhere, the revenue from industry tax enjoyed by the borough has a significant impact on local jobs and wages. An estimated 980 jobs are created in the borough as a result of oil and gas industry local tax revenue – this number alone represents nearly nine percent of total borough employment. There are more than 7,500 oil and gas jobs located within the North Slope Borough. Primary companies employ 1,741 people on the North Slope but only four are borough residents - earning \$0.4 million in wages in 2007.

Table 8: Oil and Gas Industry-related Employment and Payroll by Place of Residence, North Slope Borough

	2007
Direct Employment	4
Direct Payroll (\$ millions)	\$0.4
Indirect and Induced Employment ⁹	980
Indirect and Induced Payroll (\$ millions)	\$40.0
Total Oil & Gas Industry-related Employment	984
Total Oil & Gas Industry-related Payroll (\$ millions)	\$40.4
Total NSB Employment (2006)	11,004
Percent Oil & Gas Industry Related	8.9%
Total NSB Payroll (2006, \$ millions)	\$270.0
Percent Oil & Gas Industry Related	15.0%

⁹ Total jobs in each region include “direct” jobs (employees of primary companies), “indirect” jobs (created by companies providing goods and services to the primary companies), and “induced” jobs (created when direct and indirect employees spend their personal income locally).

Valdez Region

In the Valdez-Cordova census area the industry directly employs 284 people and pays wages of \$35.5 million.¹⁰ Support activities employ another 30 people with wages of \$2.1 million. An additional 400 indirect and induced jobs are created by industry spending and spending by employees of the primary companies and support services.¹¹ Total industry impact in the Valdez-Cordova census area is 684 jobs paying wages of \$53.5 million. This represents 24 percent of total employment and 35 percent of total regional payroll.

Table 9: Oil and Gas Industry-related Employment and Payroll by Place of Residence, Valdez Region

	2007
Direct Employment	284
Direct Payroll (\$ millions)	\$35.5
Indirect and Induced Employment	400
Indirect and Induced Payroll (\$ millions)	\$18.0
Total Oil & Gas Industry-related Employment	684
Total Oil & Gas Industry-related Payroll (\$ millions)	\$53.5
Total Valdez Employment (2006 est.)	2,800
Percent Oil & Gas Industry Related	24%
Total Valdez Payroll (2006 est.)	\$155.0
Percent Oil & Gas Industry Related	35%

¹⁰ The U.S. Census combines Valdez and Cordova into a single region.

¹¹ Total jobs in each region include “direct” jobs (employees of primary companies), “indirect” jobs (created by companies providing goods and services to the primary companies), and “induced” jobs (created when direct and indirect employees spend their personal income locally).

INTRODUCTION

In the years since the historic Prudhoe Bay oil strike and the beginning of production once the Trans-Alaska Pipeline was completed 30 years ago, the petroleum industry has clearly been the leading factor in the Alaska economy. Since 1959 the state has collected more than \$75 billion in revenue from the petroleum industry with over \$25 billion collected in the last 10 years. While there is some exploration occurring in the state, the lion's share of extraction continues to be located in the dozen-plus North Slope fields, including Prudhoe Bay, accounting for more than 90 percent of total extracted crude.

Today, unusually high oil prices mask the impact on Alaska's economy of declining production levels on the North Slope. While the exact future of oil and gas development in Alaska is hard to predict, high prices and increased world demand are spurring exploration activity and investment in technology to extract more oil from existing fields. Resource economists express varying opinions about how long high prices will last and what constitutes a stable market value for a barrel of oil; what they do agree on is that demand for petroleum is not decreasing and that the likelihood that we will see \$50/barrel oil is extremely low.

What this means for Alaska in a general sense is continued oil and gas exploration and development. Evidence of increased interest in the state's natural resources is abundant, but some interest is shifting to federal lands. The beginning of 2008 saw bidding for federal leases go beyond all expectations – most notably nearly \$2.7 billion for offshore drilling leases in the Chukchi Sea. The majority of the leases were more than 50 miles offshore in federal waters, well beyond the 3-mile state boundary. A decade ago oil prices were in the low teens and exploration on state lands was very minimal. However, in the last five years, a handful of companies have shown consistent interest in exploring on state lands, drilling a few new wells each year.

The Alaska Oil and Gas Association (AOGA) commissioned this study to analyze the effects of oil industry payroll and purchases of goods and services on the state economy, and on the economies of key regions of the state. The study would not have been possible without the cooperation of the Alaska Support Industry Alliance (the Alliance). AOGA appreciates the support and participation of The Alliance and its members.

SCOPE AND METHODOLOGY

AOGA retained Information Insights and its economic study partner, the McDowell Group, to examine:

- Direct impacts of petroleum industry payroll on the Alaska economy;
- Direct impacts of petroleum industry purchasing on the Alaska economy;

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- Indirect impacts of this spending, through both payroll and purchasing, on the Alaska economy;
- Combined impacts of spending on key communities in Alaska with petroleum-related employment – Anchorage, FNSB, KPB, the Matanuska-Susitna Borough, the North Slope Borough, the City of Valdez, and other Alaska; and
- Effects on the Alaska economy of state and local government spending of royalties and taxes received from the petroleum industry.

The study team examined purchasing and payroll records for the major producers, transporters and refiners of oil and gas in Alaska in 2007. For ease of description, we refer to these companies as the “primary companies” or “companies” in this report. Primary companies provided 2007 payroll totals sorted by zip code of employee residence, and purchasing information for purchases from Alaska-based vendors and contractors sorted by region. The study team then surveyed the top vendors and contractors doing business with the oil and gas industry to determine the extent of their spending and payroll that was Alaska-based, and where that payroll and purchasing took place.

Twelve primary companies, refiners and pipeline operators responded to the survey and took part in the study:

- Alyeska Pipeline Service Company
- Anadarko Petroleum Corporation
- BP Exploration (Alaska) Inc.
- Chevron
- ConocoPhillips Alaska
- ExxonMobil Production Company
- Flint Hills Resources, Alaska
- Marathon Oil Company
- Petro-Canada (Alaska) Inc.¹²
- Pioneer Natural Resources Alaska Inc.
- Shell Exploration and Production Company
- Tesoro Alaska Company

The participating companies represent the vast majority of business by what we are calling primary companies. With their data we feel confident that the findings of this report are accurate and representative of the petroleum industry in Alaska.

This report is broken into four sections:

¹² Petro-Canada (Alaska) Inc. reported no significant activity in Alaska in 2007

STATEWIDE IMPACTS

Direct Impacts – Presents an overview of the primary companies' employment and payroll, and how these compare to the rest of the Alaska economy.

Indirect Impacts – Summarizes the primary companies' expenditures on goods and services and their effect on the Alaska economy, together with the secondary effects of primary company and support industry payroll.

REGIONAL RESULTS

This section presents a regional analysis of spending for the Municipality of Anchorage, Fairbanks North Star Borough, Kenai Peninsula Borough, the Matanuska-Susitna Borough, the North Slope Borough, the Valdez region, and the rest of Alaska.

TAX AND ROYALTY PAYMENTS

This section examines the impacts of taxes and royalties paid to the state and local governments on the Alaska economy.

CHARITABLE CONTRIBUTIONS

This section examines charitable giving by the primary companies to Alaska organizations.

SOURCES OF DATA

The study team gathered information about statewide and regional expenditures directly from the companies and through a survey of vendors that provide more than \$500,000 in goods and services to them. Primary companies provided the study team with payroll, purchasing, and charitable giving data at the statewide and regional levels. Follow-up meetings and interviews were conducted to confirm data assumptions and fill in any information gaps.

The primary companies identified over 300 vendors that billed more than \$500,000 in 2007. Information Insights sent the vendors an electronic survey and conducted extensive calling to obtain responses. From this data the team estimated sector distribution of the industry expenditures, basing estimates of regional distribution that affects projected impacts on actual distribution from the primary companies.

Alaska Department of Labor and Workforce Development (DOLWD) figures for employment and earnings are used for comparative purposes. Studies of other significant employers in Alaska such as the university system, the mining industry, and the tourism industry are also used for comparative purposes, with sources cited throughout the report. Whenever data outcomes derived from the study's proprietary data collection differs from DOLWD estimates or projections, the team defers to the proprietary data because of the reliability of its source and timeliness.

DOLWD includes primary company employment and payroll in three different sectors. The oil producing companies are classified in the Mining sector, within the "oil and gas extraction" sub-classification. Refineries are in the Manufacturing sector, within the "petroleum refineries" sub-classification. Alyeska Pipeline Service

Company is classified in the Transportation sector, within the sub-classification “pipeline transportation of crude oil.”

U. S. Bureau of Economic Analysis (BEA) data is used to represent total payroll in the state and the region analyzed in this study. BEA provides the only comprehensive data for labor income, which includes wage and salary payroll and proprietor's income. The most recent available BEA data is for 2006. Though one year behind the 2007 data compiled from industry sources and from DOLWD, 2006 BEA data is considered valid for comparative purposes because Alaska's economy grew, in terms of employment, relatively little between 2006 and 2007.

TYPES OF ECONOMIC EFFECTS

In this report, economic effects are divided into two categories: direct and indirect. The indirect category includes effects typically referred to as induced.

DIRECT EFFECTS

Direct economic effects consist of the jobs and payroll created by the primary companies.

INDIRECT AND INDUCED EFFECTS

Indirect effects occur when the primary oil companies purchase goods and services from the many diverse businesses that provide support to the primary companies. This spending creates jobs and income in these businesses, which include equipment suppliers, oilfield services, construction services, transportation services, management services, food services, and many other types of support businesses.

Induced effects consist of the additional jobs and payroll created throughout the economy when employees of the primary and support industry companies spend their personal income on consumer goods, other property, services and taxes.

OTHER ECONOMIC CONCEPTS USED TO DESCRIBE IMPACTS

ECONOMIC MULTIPLIERS

Economists use predictive input-output models of local and state economies to measure the economic importance of industries on regional economies. The economic impact of initial industry spending in the economy is calculated based on economic multipliers that represent the proportions of initially spent money retained within the regional economy. In other words, the economic multiplier describes the amount of money retained locally from rounds of local spending. For example, an income multiplier of 1.5 would mean that for every dollar of payroll an industry pays to its locally residing employees, an estimated \$0.50 in additional income is generated in other local industries.

The magnitude of the economic multiplier depends on the “maturity” of the regional economy. For example, a mature support sector (typical of large cities) will stimulate more spending locally and less “leakage” of dollars outside the region. Conversely, an

underdeveloped (immature) support sector (typical of smaller communities) will hold dollars locally for a shorter period as residents look outside the immediate community to make many of their purchases.

In this study, the survey of oil industry support businesses provided actual spending data. This data was used in addition to multipliers to develop study estimates of indirect and induced spending.

VALUE ADDED

Estimates of what economists call “Value Added” are discussed as part of the regional impact analysis. Value added measures the local productivity of an industry equivalent to its contribution to Gross Regional Product. Value added is equal to the total value of all *final goods and services* produced in an economy. Due to the double entry accounting system of input/output models (described below), value added is also equal to the sum of:

- Employee payroll
- Proprietor income
- Income from property
- “Indirect” business taxes (those borne by consumers rather than producers)

Because Value Added measures economic productivity, it is a useful measure of the overall economic importance of an industry.

OUTPUT

Output is a measure of economic activity that contains every transaction that occurs in the economy as goods and services are bought and resold. In other words, output is equal to gross sales in an economy, which besides the value of *final goods and services* also includes the value of *intermediate goods and services*. Therefore, output duplicates economic activity, resulting in a larger measure than *value added* which only counts the value of *final goods and services*. The more meaningful measure of economic importance is *value added* as it measures the “true unduplicated” economic contribution of an industry to the *regional economy*.

Output calculated in this report does not include *intermediate goods and services* imported from outside the regional economy.

TOOLS USED TO ESTIMATE IMPACTS

INPUT/OUTPUT MODEL

Input/Output models are used in economic analysis to understand the structure and function of regional economies. An input/output model represents a picture of the local economy that accounts for money flowing between producers (categorized into sectors by type of industry) and consumers. It works like an accounting system that keeps track of receipts (sales of outputs of production) and expenditures (costs for inputs to production) for every industry in an economy. The model can distinguish between goods and services being imported versus those manufactured locally. It also

recognizes goods used for further production (*intermediate goods*) and those sold to consumers (*final goods*). For example, input-output analysis will break down a nation's total production of trucks, showing that some trucks are used in the production of more trucks, some in farming, some in the production of houses, and so on. An input/output analysis is usually summarized in a table showing what various industries buy from and sell to one another. IMPLAN is an example of an input/output model.

IMPLAN

IMPLAN is a nationally recognized input/output model that comes in the form of an integrated software and data package used by economists to evaluate economic impacts of industrial activity in regional economies. IMPLAN's calculations are based on an array of data sources like the U.S. Census Bureau and the BEA. Some of the main BEA sources include: the *National Income and Product Accounts*, *Covered Employment and Wages*, *Regional Economic Information System Data*, *Output Data*, and the current benchmark *Input-Output Study*.

Like most input/output models, IMPLAN provides an imperfect picture of the economy. The downsides of IMPLAN are as follows. The model assumes that there are no supply constraints for industries. For example, if we want to measure the economic impact of oil production, the model assumes that the oil industry is able to hire as many workers as needed and get as many drill rigs as demanded. Other limitations include the way the model assumes goods are produced. In IMPLAN, industries face linear production technologies, meaning more production always requires more workers. Also, the model for industry production uses national averages as well as local data. For example, the oil and gas industry in Alaska, in part, is assumed to resemble the national average oil and gas industry.¹³

Employment calculated in IMPLAN includes total wage and salary employees as well as self-employed jobs in a region. It includes both full-time and part-time workers and is measured in annual average jobs.

¹³ Production functions are averages adjusted for local value added-to-output relationships (IMPLAN: *Getting started with IMPLAN*).

I. STATEWIDE IMPACTS

DIRECT IMPACTS FOR ALASKA

The direct impact of Alaska's oil and gas industry was significant in 2007. Record oil prices, increased exploration activity and maintenance on infrastructure created an environment in which the industry directly employed 4,497 Alaskans with total in-state direct payroll of \$643.8 million. This number comprises oil and gas extraction companies, refineries, and the pipeline – the primary companies.

In 2007 the oil and gas industry spent:

- \$643.8 million in payroll to Alaska residents, and
- \$5 billion in purchases of goods, services and capital from contractors and vendors in Alaska, for a total of
- \$5.6 billion in combined purchasing and payroll.

Table 10 shows direct employment and payroll for the primary companies in 2007. Employment by the primary companies was 4,497 jobs, representing one percent of total state employment, which was estimated by the DOLWD at 443,335 jobs in 2006. The primary companies reported payroll to Alaska residents of \$643.8 million in 2007, nearly three percent of total payroll in the state.

Table 10: Direct Oil & Gas Primary Company Employment & Payroll, Alaska

State of Alaska Direct Impacts	Oil & Gas Extraction	Refineries & TAPS	Total Direct
Employment	3,245	1,252	4,497
Payroll (millions)	\$496.0	\$147.8	\$643.8

Source: DOLWD data and Study Team estimates

The analysis in this report excludes the employment, payroll and value inherent in the added impacts of taxes and royalties paid by the primary companies. Discussion focuses on impacts created by industry direct spending on payroll and purchasing of goods, services and capital.

In 2007, the primary companies spent \$5 billion in Alaska in support of their operations. The way in which this money moved through, and stimulated, the local economy depends on how it was spent. For example, if a local support activity business has a labor-intensive operation employing many local people, industry spending will stay in the community and stimulate the economy for a longer time. If spending goes to purchase a large piece of capital, most of that value stays outside Alaska – even if there is a local representative facilitating the exchange.

The Role of the Oil and Gas Industry in Alaska's Economy

Table 11 shows the distribution of oil and gas industry primary company spending in Alaska by economic sector. The largest share of spending goes to the mining sector, which includes oil and gas support activity; but there is significant spending in other sectors of the economy as well. Indirectly the oil and gas industry is responsible for the creation of thousands of additional jobs, resulting in millions of dollars in payroll through purchases of goods, services and capital in Alaska.

Table 11: Oil and Gas Companies' Expenditures on Goods and Services, Alaska

Economic Sector	Primary Companies' Expenditures (\$ millions)
Mining (including Oil and Gas)	\$2,206.5
Services	\$970.7
Construction	\$545.5
Transportation, Communications & Utilities	\$448.8
Trade	\$350.6
Other	\$519.4
Total	\$5,041.5

Industry spending created 8,410 jobs through local support activity businesses with estimated payroll of \$769.2 million. Together, oil & gas extraction companies, refineries and TAPS, and the oil and gas support activity businesses directly employed 12,907 people with a total payroll of more than \$1.4 billion.

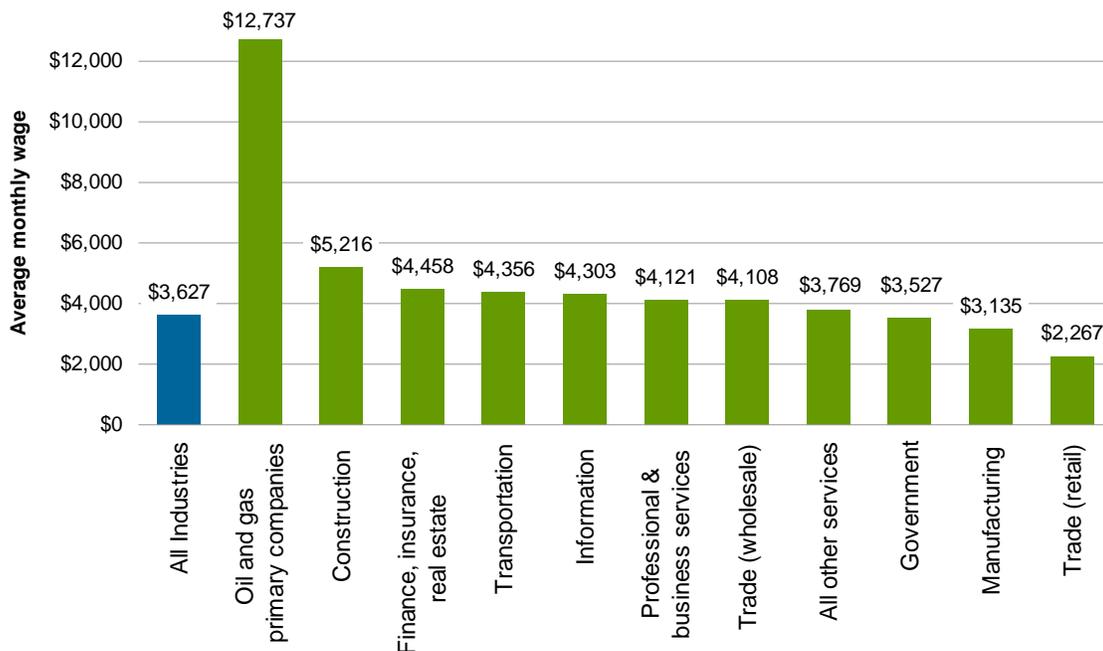
Table 12 demonstrates the distribution of statewide employment by major industry group in the state. Oil and gas industry primary companies and support activity employment is estimated to be four percent of statewide total employment. Note that statewide employment data is based on preliminary DOLWD data. Final statistics were not available as of the date of this report; employment totals subsequently may be revised, potentially altering the results shown here.

Table 12: Employment and Percent of Total Employment by Sector, All Industries

Economic Sector	Employment	Percent of Total Employment
Total Nonagricultural Wage & Salary	300,166	
Primary Companies and Supporting Activities	12,907	4%
Construction	17,481	6%
Manufacturing	13,143	4%
Transportation, Utilities	21,671	7%
Trade (Wholesale/Retail)	42,615	14%
Information, Finance, Insurance and Real Estate	21,940	7%
All Other Services (excluding Government)	90,561	30%
Government (Total)	79,848	27%

Figure 1 on the following page shows average monthly wage for major industries in the Alaska economy. Oil and gas industry primary companies have the highest monthly wages in the state. Average monthly wage for oil and gas industry primary companies in 2007 was \$12,737. The Alaska DOLWD calculates average monthly wages by dividing total wages by 12 and then dividing again by average monthly employment and includes all wages, bonuses and overtime. In comparison, the average monthly wage for all industries statewide was \$3,627 according to DOLWD's 2007 Quarterly Census of Employment and Wages.

Figure 1: Average Monthly Wages in Alaska by Sector



Adjusting sector data from DOLWD to accommodate the impacts of the oil and gas industry yields a picture of the Alaska economy. A portion of each sector of the economy can be attributed to oil and gas industry operations in Alaska. For some sectors, such as industry support, nearly 100 percent of activity is directly attributable to oil and gas activity. The real story, however, is found in other sectors of the economy: The industry is responsible for:

- 31 percent of the professional and technical services industry
- 16 percent of the administrative services industry
- Approximately 11 percent of the construction industry, the transportation industry, and the accommodations and food service industry

The government as a sector was excluded from the analysis above because the indirect impact is not accurately reflected with the methodology used to produce these results. The impact of oil and gas on government, particularly state government, is

The Role of the Oil and Gas Industry in Alaska's Economy

better reflected in the royalties, taxes and other resources that flow into the state coffers under Restricted and Unrestricted revenues.

In addition to direct spending the petroleum industry paid:

- \$236 million in property taxes to local governments
- \$5.2 billion in taxes and royalties to the State of Alaska

INDIRECT IMPACTS FOR ALASKA

As the oil and gas industry purchases goods and services in support of its Alaska operations, it creates jobs and income throughout the economy. To measure the full impacts of the primary producers on the Alaska economy, the study team used IMPLAN software and its associated databases. The U.S. Forest Service, in cooperation with the Federal Emergency Management Agency and the Bureau of Land Management, developed IMPLAN (Implan Analysis for Planning) to help with land resource planning issues. It was later refined by the Minnesota IMPLAN Group. The IMPLAN system has been in use since 1979 and enjoys a reputation for reliability among economists throughout the U.S. Current clients include academia, federal, state, and local government, and the private sector. The study team used data obtained from the Alaska oil and gas industry as inputs to the model.

The study team identified the companies listed in the primary petroleum industry purchasing records by North American Industry Classification System (NAICS) to determine expenditures by industry type. The team then analyzed this purchasing using the IMPLAN software and databases to demonstrate how industry purchasing impacts the state economy.

Table 13: Oil & Gas Primary and Support Activity Employment and Payroll Impacts, Alaska 2007

Direct and Indirect Impacts	Direct	Support Activity	Other Indirect	Total
Employment	4,497	8,410	28,837	41,744
Payroll (\$ million)	\$643.8	\$769.2	\$997.0	\$2,410

Source: Study Team estimates

Table 13 shows the direct, support activity, and other indirect employment and wages generated by the Oil and Gas industry.

- Total oil and gas industry indirect and induced effects included just over 37,000 jobs and \$1.77 billion in payroll in 2007.
- The industry directly or indirectly generated 41,744 jobs in Alaska in 2007 with an associated \$2.4 billion in annual payroll. This total does not include state government jobs supported by oil tax and royalty revenue to the State of Alaska.

The indirect impacts of the oil and gas industry include:

- Jobs and payroll created as a result of producers' purchases of goods, services and capital from Alaska businesses

- Jobs and payroll created as a result of oil and gas industry workers spending their payroll dollars in Alaska (often referred to as “induced” impacts)

Logically, the largest indirect impact is in the oil and gas support sector. This sector includes businesses that provide a broad range of oilfield operational and technical services such as construction, drilling, transportation services, equipment maintenance, well testing, project management services, among others.

Other sectors significantly affected by oil and gas industry spending include construction and professional and technical services which includes engineering companies that serve the oil and gas industry.

Sectors of the Alaska economy where impacts are primarily induced include trade, health and social services, accommodations and food services. These sectors are involved in meeting the needs of the oil and gas industry workforce and their households rather than in providing support services directly to the primary companies. The wages for induced jobs tend to be lower than direct employment with primary companies and the support activities sector.

Table 14: Oil & Gas Industry Indirect Employment, Payroll, Value Added and Output, Alaska 2007

Economic Sector	Indirect Jobs	Gross Payroll (\$ millions)	Value Added (\$ millions)	Output (\$ millions)
Oil & Gas Industry Support	7,289	\$772.1	\$2,022.3	\$2,779.1
Construction	2,272	119.2	163.9	269.3
Manufacturing	953	36.4	67.9	513.4
Trade	3,840	109.3	237.4	355.2
Transportation	2,623	102.7	166.4	306.9
Information, Finance & Real Estate	2,719	80.6	263.5	473.3
Professional & Technical Services	4,621	203.4	300.8	579.9
Administrative Services	2,124	61.9	111.8	193.2
Health & Social Services	3,245	114.3	169.5	271.4
Accommodation & Food Services	3,267	55.9	106.9	199.2
Other Services	1,900	41.2	59.1	114.8
Government	781	24.1	250.2	314.2
All Other	1,613	46.2	124.9	192.7
Total	37,247	\$1,767.2	\$4,044.6	\$6,562.4

Table 14 describes the way in which oil and gas industry indirect employment impact is felt by sector of the economy. The Oil and Gas Industry Support number of jobs is lower than the total 8,410 estimated by the Project Team. This disparity is a result of how IMPLAN defines economic sectors. The difference, 1,121 jobs, is distributed amongst the other sectors – primarily construction and transportation. Value added and output are other measures of economic impact. Value added is a measure of industry output minus the cost of inputs. The value added in a construction project,

for example, is the end value (output) of the project less the value of the goods and materials (inputs) required to construct the project. Across all sectors of the Alaska economy, the oil and gas industry indirectly accounted for \$4 billion in value added and \$6.6 billion in total output in 2007. This does not include values added or output associated with expenditure of taxes and royalties paid by the oil industry to state government.

Table 15: Share of Oil and Gas Industry-related Employment and Payroll, Alaska 2007

Direct and Indirect Impacts	2007
Total Employment	41,744
Total Payroll (\$ billion)	\$2.4
Total Alaska Employment (2006)	443,335
Percent Oil & Gas Industry Related	9.4%
Total Alaska Payroll (2006, \$ billion)	\$21.5
Percent Oil & Gas Industry Related	11.2%

Table 15 shows the share of total state employment and payroll that can be attributed to the oil and gas industry. The BEA reported total employment in Alaska in 2006 at 443,335 jobs. Based on this estimate, Alaska's oil and gas industry accounted for about one in ten of all jobs in the state. Total industry generated employment was more than 41,000 jobs and \$2.1 billion dollars in payroll. Alaska's oil and gas industry accounted for one in eight (12 percent) private sector jobs and 21 percent of private sector payroll. BEA reported private sector employment in Alaska in 2006 at 339,017 jobs and \$14.5 billion in private sector wages.

Figure 2 demonstrates the distribution of oil and gas industry generated employment and payroll by effect. The majority of employment is in the indirect category – jobs created by industry and primary company employee spending. The picture shifts when looking at payroll, where high paying jobs in the oil and gas industry decrease the indirect piece of the pie.

Figure 2: Alaska Jobs and Payroll Created by Oil and Gas Industry

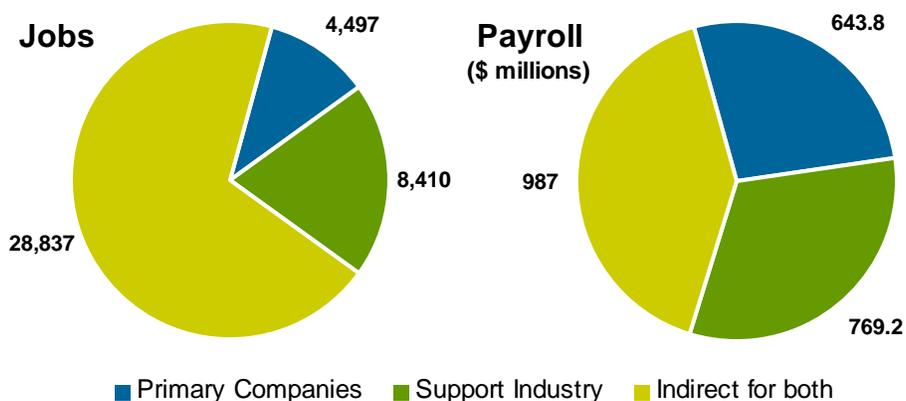


Table 16 shows the total impact of the oil and gas industry on the state. The value added of indirect employment is estimated to be \$4.04 billion for all industries

throughout the state. This estimate of value is based on industry operations and does not include effects from the Permanent Fund, royalties, severance taxes, or local property tax. Also not included is the value added of the primary companies – the largest portion of value added is the value of the oil as it is pumped from the ground and transported to Valdez.

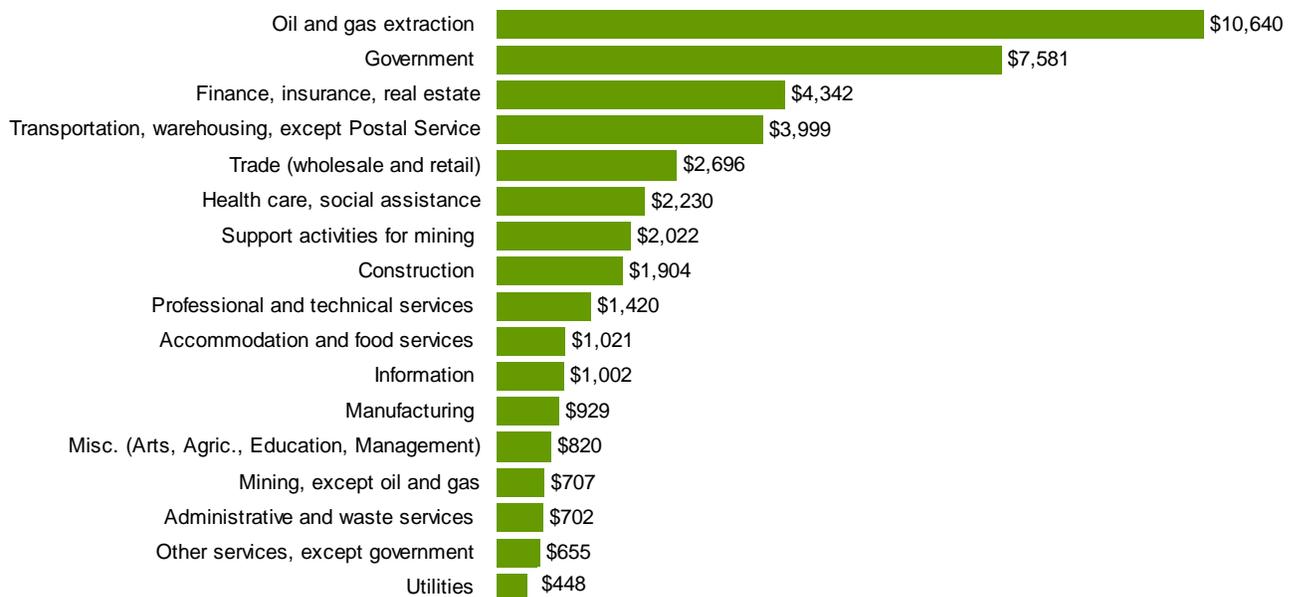
Table 16: Total Impacts on Alaska

Direct and Indirect Impacts	Employment	Payroll (\$ billions)	Value Added (\$ billions)
Primary Producers Employment and Payroll	4,497	\$0.64	
Indirect Impact (includes support activity)	37,247	\$1.77	
Total Impacts	41,744	\$2.41	\$4.04

The true picture of overall value added of the industry can be found in the GSP data with \$10 billion from extraction, \$2 billion from support activities, \$249 million from refineries and another \$2 billion for all other indirect and induced activity for a grand total of about \$14 billion, as shown in Figure 3. This chart illustrates another measure of oil and gas industry impact on the state economy.

The oil and gas industry directly contributed \$10.8 billion to Alaska's Gross State Product (GSP) in 2006, according to the BEA, 25 percent of Alaska's total GSP of \$43.1 billion. In addition, support activities for mining, which is predominantly oil-related, added just under \$2 billion to Alaska's GSP in 2006. Refineries in Alaska added \$241 million to GSP. Other sectors of the economy that are heavily affected by the oil and gas industry include construction, professional and technical services, transportation, and others.

Figure 3: Gross State Product by Economic Sector (\$ millions)



Source: BEA

Residency of the Oil and Gas Industry Work Force

Seven of ten – 72 percent – oil and gas industry workers are Alaska residents and three quarters – 74 percent – of the payroll generated directly by the oil and gas industry is earned by Alaska residents, according to the DOLWD. In Alaska's private sector overall, residents account for 77 percent of employment and 84 percent of payroll.

Table 17: Alaska Residents in the Oil & Gas and Support Activity Labor Force, 2006

	Total Workers	Total Wages (\$ millions)	Resident Workers	Resident Wages (\$ millions)	Percent Resident Workers	Percent Resident Wages
Oil & Gas Extraction	3,354	436.1	2,502	323.9	75%	74%
Support Activities	11,376	710.3	7,673	492.9	67%	69%
Pipeline	842	100.4	837	93.9	99%	94%
Refineries	724	50.9	676	49.5	93%	97%
Total	16,296	1,298	11,688	960.2	72%	74%

Source: Nonresidents Working in Alaska 2006, DOLWD, page A-24

Table 17 describes the oil and gas primary company workforce by residency. The largest percentage of non-resident workers is found in the support services industry with 67 percent resident workers and 69 percent resident wages. The oil and gas industry workers with the highest residency rate are those working on the pipeline with 99 percent resident workers and 97 percent resident wages. It should be noted that even with the lowest residency rate, more than two thirds of support activity jobs are held by Alaska residents.

Alaska's total workforce is estimated to be 23 percent nonresident. Workers come to Alaska to work in all industries. The state has always had a high rate of nonresident workers, particularly in seasonal industries such as fish processing, timber and construction. The sectors with the highest rate of nonresident workers are: accommodations with a 41.4 percent nonresident workforce and seafood processing with a 76.4 percent nonresident workforce.¹⁴

¹⁴ Alaska Economic Trends, March 2008

II. REGIONAL RESULTS

The regional analyses that follow examine the impacts of the Alaska oil and gas industry upon different areas of the state. The study addressed the following regions:

- Municipality of Anchorage
- Fairbanks North Star Borough
- Kenai Peninsula Borough
- Matanuska-Susitna Borough
- North Slope Borough
- Valdez region (Valdez-Cordova census area)
- Other Alaska

The study found a strong economic relationship between the oil and gas industry and regional support industries. Support industries in the state expand the economic impact of industry employment and earnings. An increase in state spending by primary companies could suggest that support activity businesses in Alaska have matured and are able to meet much of the demand for goods and services required by industry. This is good news for Alaska; as with any major industry, the effects of oil and gas spending ripple through all sectors of the economy – the more primary companies purchase goods and services from local vendors, the larger that ripple effect will be.

Table 18: Summary of Petroleum Industry Economic Impacts by Place of Residence

	Indirect & Induced Employment	Total Industry Generated Employment	Total Industry Generated Payroll (\$ millions)
Anchorage	22,295	23,944	\$1,435.9
Fairbanks	2,897	3,250	\$176.0
Kenai	3,664	4,603	\$262.3
Mat-Su	2,201	3,031	\$231.4
North Slope	980	984	\$40.4
Valdez	400	684	\$53.5
Other Alaska	4,810	5,248	\$210.5
Total Alaska	37,247	41,744	\$2,410.5

The individual regional reports describe the relationship between local economies and the oil and gas industry and its supporting businesses using data obtained directly from primary companies and a sample of support activity businesses. The induced and indirect effects are estimated using IMPLAN.

Figure 4: Oil and Gas Industry Jobs and Payroll by Residence of Employee

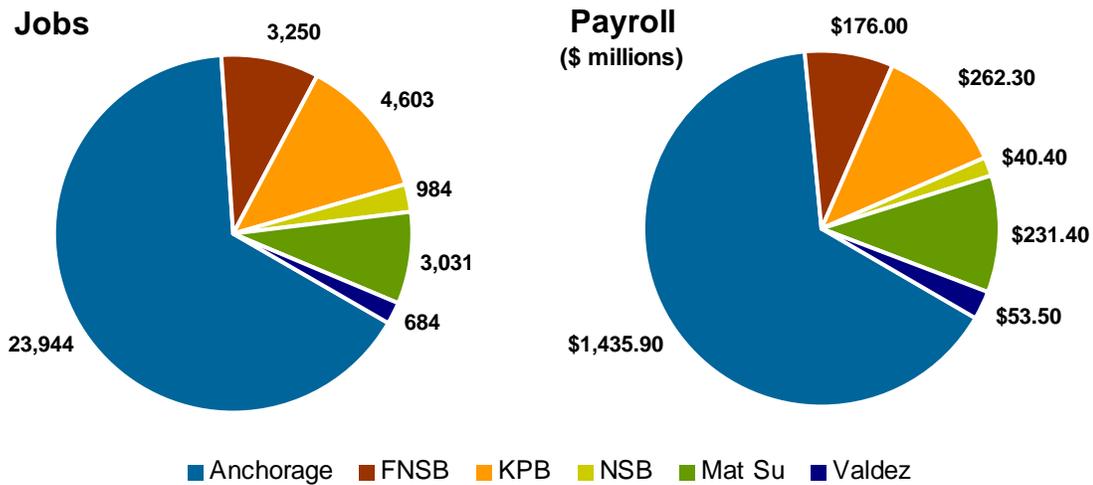


Figure 4 illustrates the distribution of oil and gas industry employment and payroll by place of residence between the study regions.

MUNICIPALITY OF ANCHORAGE

SUMMARY OF IMPACTS

The oil and gas industry created a total of 23,944 jobs in the Anchorage area, with wages to Anchorage residents of more than \$1.4 billion – 12 percent of total employment in the Municipality of Anchorage and 16.6 percent of total payroll.

- Oil and gas industry direct employment of Anchorage residents by the primary companies totaled 1,649 in 2007 with payroll of \$294.6 million.
- The industry reported contracts of at least \$500,000 with 230 Anchorage businesses. These businesses created 1,170 support activity jobs with an associated \$136.1 million in payroll within the Municipality.
- 3,543 Anchorage residents worked in oil and gas industry support activity jobs in 2007 with wages of \$349.3 million. These are jobs held by Anchorage residents who work both in and outside the Municipality.
- The industry generated 22,295 indirect and induced jobs in the Anchorage region in 2007.¹⁵ Indirect jobs generated \$1.1 billion in payroll, including all support activity jobs held by Anchorage residents.

The Municipality of Anchorage is home to an estimated population of just over 283,000, which was more than 40 percent of Alaskans in 2007. The economy of Alaska's largest city is more diverse than other parts of the state but it continues to rely heavily on several key industries. Industries that contribute significantly to the

¹⁵ These jobs were created by companies in support industries providing goods and services to the primary companies and by employees of both primary and support industry companies spending their personal income locally on consumer goods, other property, services and taxes.

Anchorage economy include air transportation and freight, health care, oil and gas, and government – local, state and federal.

According to the Anchorage Economic Development Corporation, average annual wages for an individual Anchorage resident in 2007 were \$46,305 with a median household income of \$63,656. The average annual wage for an Alaska resident working in the oil and gas extraction industry was more than \$150,000¹⁶ – about 2.4 times the overall Anchorage average.

Anchorage is home to more than 8,000 businesses, nearly 4,000 of which have five or more employees. These businesses provide approximately 140,000 jobs in the private sector. Many jobs continue to be found in the public sector, with federal, state and local governments employing 22,337 people in 2007. With 47 percent of total state employment in 2007, Anchorage remains the core of Alaska's economy.

ROLE OF THE OIL AND GAS INDUSTRY IN THE MUNICIPALITY OF ANCHORAGE

Anchorage acts as the corporate headquarters for all of the major oil and gas exploration, extraction and distribution companies as well as many of the industry support companies operating around the state. The petroleum industry further impacts the Anchorage economy through oilfield workers who live in Anchorage but work elsewhere. The oil and gas industry is responsible, through both direct and indirect employment, for 16.6 percent of total payroll in Anchorage.

Table 19 shows that the ten top private employers in the state are located in Anchorage. Of these employers, four are in the oil and gas industry or support businesses.

Table 19: Top Ten Private Employers, Municipality of Anchorage

Firm	Employees
Providence Health System	3,991
Carrs/Safeway	3,117
Fred Meyer	2,776
Wal-Mart/Sam's Club	2,608
Alaska Petroleum Contractors Inc.¹⁷	1,749
Alaska Airlines	1,585
CH2MHill¹⁸	1,553
BP Exploration Alaska	1,508
NANA Management Services	1,497
Alaska Native Tribal Health Consortium	1,332

Source: DOLWD

¹⁶ Wage information is based on DOLWD oil and gas wage data for 2007 of \$12,737 average monthly wage - and includes wages, bonuses and overtime.

¹⁷ Alaska Petroleum Contractors Inc. is a subsidiary of ASRC Energy Services

¹⁸ CMH2Hill acquired Veco in September 2007

The Role of the Oil and Gas Industry in Alaska's Economy

Table 20 describes direct employment with oil and gas primary companies and support activity by place of work. These are jobs with sites located within the Municipality of Anchorage. Please note in the table below that not all payroll numbers are displayed; this protects the confidentiality of oil and gas industry companies and their employees.

Table 20: Direct Primary and Support Activity Employment and Payroll by Place of Work, Anchorage

Anchorage Direct Impacts	Oil & Gas Extraction	Refinery	Pipeline	Total Direct Employment	Support Activities	Total
Employment	1,269	17	332	1,618	1,170	2,788
Payroll (\$ millions)	\$269.7	*	*	\$313.8	\$136.1	\$449.9

Source: DOLWD data and Study Team estimates

In addition to the support activity jobs described above, the oil and gas industry indirectly creates thousands of additional jobs in other sectors of the Anchorage economy. Total indirect and induced employment linked to the oil and gas industry is estimated at 22,295 jobs. This number includes support activity jobs located in Anchorage *plus* those held by Anchorage residents working primarily on the North Slope. These 22,295 indirect and induced jobs in Anchorage accounted for \$1.1 billion in payroll in 2007.

Table 21 shows the number of indirect jobs, gross payroll and value added that the oil and gas industry generates in the Anchorage economy.

Table 21: Oil and Gas Industry Indirect Employment, Payroll, Value Added and Output

Indirect Jobs	Gross Pay (\$ millions)	Value Added (\$ millions)	Output (\$ millions)
22,295	\$1,141.3	\$2,437.0	\$3,387.9

The pie charts in Figure 5 show the distribution of these jobs and payroll within the economy. The oil and gas industry has such a significant indirect impact on the Anchorage economy in part because the city is the primary place of residence for many North Slope workers. While the oil and gas industry and its support activities directly account for 2,788 jobs in Anchorage, an estimated 5,200 workers in these sectors actually reside in Anchorage, and spend their payroll dollars in the city's service and supply sectors.

Figure 5: Distribution of Indirect Jobs and Payroll, Anchorage

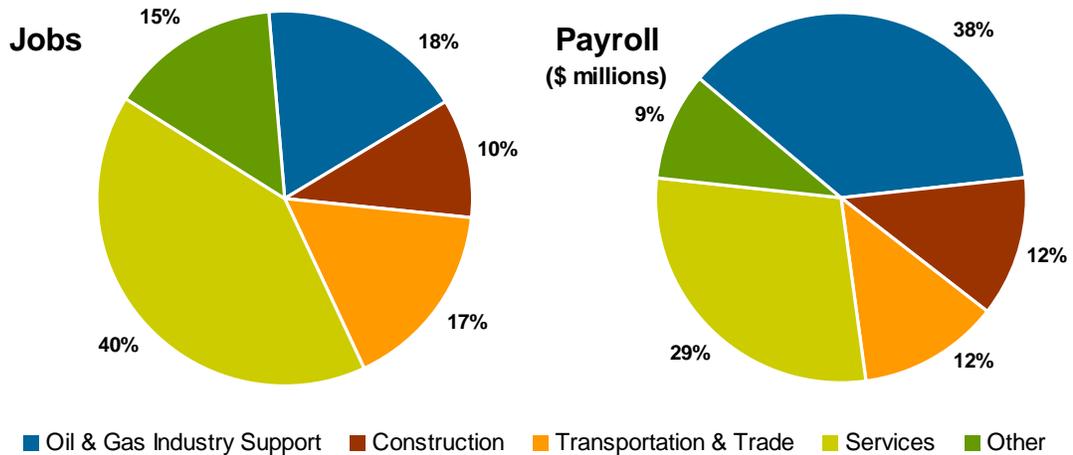


Table 22 illustrates the difference in positions and payroll by place of work versus place of residence. More than 2,370 residents leave the municipality to work but keep their home in Anchorage. Many of these workers travel in rotating shifts to oilfields in remote locations, primarily on the North Slope. The wages these workers earn are spent in the communities in which they live.

Table 22: Direct Oil & Gas Primary and Support Activity Employment and Payroll by Place of Work and Place of Residence, Anchorage

Municipality of Anchorage Direct Impacts	By Place of Work	By Place of Residence
Direct Employment	1,618	1,649
Direct Payroll (\$ millions)	\$313.8	\$294.6
Support Activity Employment	1,170	3,543
Support Activity Payroll (\$ millions)	\$136.0	\$349.3
Total Employment	2,788	5,192
Total Payroll (\$ millions)	\$449.9	\$643.9

Source: DOLWD data and Study Team estimates.

Table 23 describes the total impact of the oil and gas industry on the Anchorage economy. The industry generated 23,944 jobs in the Anchorage economy and for Anchorage residents in 2007, with over \$1.4 billion in payroll. With this level of employment and payroll, the oil and gas industry directly or indirectly accounted for approximately 12 percent of employment in Anchorage and 16.6 percent of total payroll in 2007.

The Role of the Oil and Gas Industry in Alaska's Economy

Table 23: Total Oil and Gas Industry-related Employment and Payroll by Place of Residence, Anchorage

Municipality of Anchorage Direct and Indirect Impacts	By Place of Residence
Direct Employment	1,649
Direct Payroll (\$ millions)	\$294.6
Indirect and Induced Employment	22,295
Indirect and Induced Payroll (\$ millions)	\$1,141.3
Total Employment	23,944
Total Payroll (\$ millions)	\$1,435.9
Total Anchorage Employment (2006)	199,829
Percent Oil & Gas Industry Related	12.0%
Total Anchorage Payroll (2006, \$ millions)*	\$8,658.0
Percent Oil & Gas Industry Related	16.6%

*Includes wage and salary disbursements and proprietor's income.

Source: Anchorage employment and payroll data from BEA

FAIRBANKS NORTH STAR BOROUGH

SUMMARY OF IMPACTS

Altogether the oil and gas industry is responsible for the creation of 3,250 jobs for the Fairbanks area with wages to Fairbanks residents of \$176 million – 5.5 percent of total employment in the borough and 5.9 percent of total payroll.

- Total oil and gas industry direct employment of FNSB residents by the primary companies was 353 in 2007 with payroll of \$39.4 million.
- The industry reported contracts of at least \$500,000 with each of 35 local Fairbanks businesses – this number does not include businesses operating in Fairbanks but with primary headquarters in other Alaska locations. This primary company spending in Fairbanks created 653 support activity jobs located in the borough with an associated \$54.5 million payroll.
- The total number of Fairbanks residents working in oil and gas industry support activity jobs is 709 in 2007 with wages of \$59.5 million. These are jobs held by Fairbanks residents who work both in and outside the borough.
- The industry generated 2,897 indirect and induced jobs in the Fairbanks region in 2007.¹⁹ Indirect jobs generate \$136.6 million in payroll, including all support activity jobs held by Fairbanks residents.

The Fairbanks North Star Borough is the second most populated region in the state and the City of Fairbanks is the second largest city. The borough population has

¹⁹ These jobs were created by companies in support industries providing goods and services to the primary companies and by employees of both primary and support industry companies spending their personal income locally on consumer goods, other property, services and taxes.

grown slowly but steadily to reach an estimated 96,888 in 2007. The average annual wage for an individual working in Fairbanks was \$40,375 in 2006.

The largest employers in the Fairbanks area are in the public and healthcare sectors. The largest private employer is Banner Health System operating Fairbanks Memorial Hospital with 1,302 employees in 2007. Fairbanks serves as a hub to interior communities for healthcare services. In the public sector the FNSB School District and the University of Alaska Fairbanks are the largest employers.

Table 24: Ten Largest Employers, FNSB

Firm	Employees
State Government (including UAF)	5,044
Federal Government	3,492
Fairbanks North Star School District	1,539
Banner Health System	1,302
Fred Meyer Stores Inc.	654
Wal-Mart Associates Inc.	507
Fairbanks North Star Borough	497
Fairbanks Gold Mining Inc.	392
Chugach Management Services Inc.	313
Tanana Chiefs Conference Inc.	284

Source: DOLWD

ROLE OF THE OIL AND GAS INDUSTRY IN THE FAIRBANKS NORTH STAR BOROUGH

The oil and gas industry shaped modern Fairbanks during construction of the Trans-Alaska Pipeline System (TAPS) and the industry has played an important role in the area since. Alyeska Pipeline Service Company, while headquartered in Anchorage, has regional offices in Fairbanks and Valdez with 144 Fairbanks residents working in pipeline service at the Fairbanks location in 2007.

Table 25 describes direct employment with oil and gas industry primary companies and support activity by place of work. These are jobs with sites located within FNSB. Fairbanks area employment includes TAPS employees, the Flint Hills refinery in North Pole, and a large number of support activities jobs. Direct and support activity employment averaged 1,062 jobs in 2007, with \$98.9 million in total payroll. Please note that the table does not display all employment payroll numbers, this is to protect the confidentiality of the companies and their employees.

Table 25: Direct Oil & Gas Primary and Support Activity Employment and Payroll by Place of Work, Fairbanks North Star Borough

Fairbanks North Star Borough Direct Impacts	Oil & Gas Extraction	Refinery	Pipeline	Total Direct Employment	Support Activities	Total
Employment	1	167	144	312	653	965
Payroll (\$ millions)	*	*	*	\$34.7	\$54.5	\$89.2

Source: DOLWD data and Study Team estimates.

The Role of the Oil and Gas Industry in Alaska's Economy

To draw a comparison, consider that the University of Alaska Fairbanks had an average of 3,417 employees in 2006 – nearly ten times as many as oil and gas industry direct employment - yet UAF total payroll only outpaced oil and gas industry payroll by 3.7 times. What this means is that on average oil and gas industry wages are substantially higher than university wages. The importance of high wage jobs for the economy in Fairbanks is that every dollar spent on household goods and service stimulates the economy, creating additional employment opportunities. Each oil and gas industry job does more to create employment and economic activity than a job in a sector of the economy with lower wages.

The indirect and induced impact of the oil and gas industry in the Fairbanks area is estimated at 2,897 jobs with \$136.6 million in annual payroll – these numbers include support activity jobs, including those held by Fairbanks residents working elsewhere. These jobs are created by businesses and organizations that provide goods and services to the oil industry and the households of its employees. Indirect and induced business produced a total economic output of approximately \$514 million, with value-added of \$371 million.

Table 26 shows the number of indirect jobs, gross payroll and value added that the oil and gas industry generated in the Fairbanks region in 2007.

Table 26: Oil & Gas Industry Indirect Employment, Payroll, Value Added and Output, Fairbanks 2007

Indirect Jobs	Gross Pay (\$ millions)	Value Added (\$ millions)	Output (\$ millions)
2,841	\$131.6	\$371.4	\$513.7

The pie charts in Figure 6 show the distribution of these jobs and payroll within the economy.

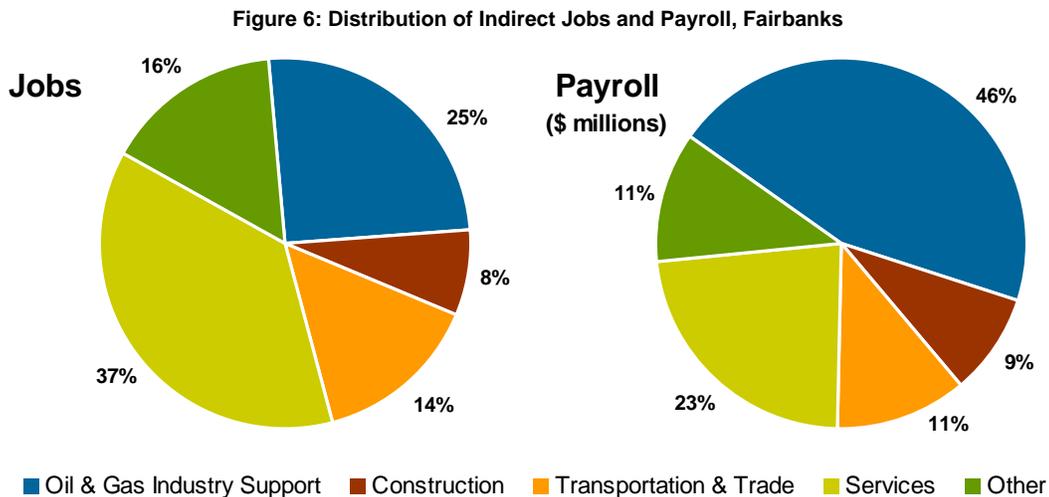


Table 27 illustrates the difference between employment numbers and payroll *by place of work* and *by place of employee residence*. The estimated 97 employees who work outside the borough but live within its boundaries stimulate the local economy through their spending.

Table 27: Direct Oil & Gas Primary and Support Activity Employment and Payroll by Place of Work and Place of Residence, Fairbanks

Fairbanks North Star Borough Direct and Indirect Impacts	By Place of Work	By Place of Residence
Direct Employment	312	353
Direct Payroll (\$ millions)	\$34.8	\$39.4
Support Employment	653	709
Support Payroll (\$ millions)	\$54.5	\$59.5
Total Employment	965	1,062
Total Payroll (\$ millions)	\$89.2	\$98.9

Source: DOLWD data and Study Team estimates.

Based on the best available data, the number of oil and gas industry workers employed in Fairbanks is very close to the number of local residents who earn income from the industry. An estimated 1,062 FNSB residents earned income through employment with primary companies or support activity, whether employed locally or elsewhere in Alaska. Their total payroll in 2007 was approximately \$99 million.

Table 28 describes the total impact of the oil and gas industry on the FNSB economy. In total, the industry generated an estimated 3,250 jobs in the FNSB economy and for FNSB residents, with \$176 million in payroll. With this level of employment, the oil and gas industry directly or indirectly accounted for approximately 5.5 percent of total FNSB employment and 5.9 percent of total payroll in 2007.

Table 28: Total Oil & Gas Industry-related Employment and Payroll by Place of Residence, Fairbanks

Fairbanks North Star Borough Impacts	By Place of Residence
Direct Employment	353
Direct Payroll (\$ millions)	\$39.4
Indirect and Induced Employment	2,897
Indirect and Induced Payroll (\$ millions)	\$136.6
Total Oil & Gas Industry-related Employment	3,250
Total Oil & Gas Industry-related Payroll (\$ millions)	\$176.0
Total FNSB Employment (2006)	59,080
Percent Oil & Gas Industry Related	5.5%
Total FNSB Payroll (2006, \$ millions)*	\$2,983.9
Percent Oil & Gas Industry Related	5.9%

*Includes wage and salary disbursements and proprietor's income.

Source: FNSB employment and payroll data is from BEA.

KENAI PENINSULA BOROUGH

SUMMARY OF IMPACTS

Altogether, oil and gas industry related employment is 4,603 jobs for the KPB with wages to residents of \$262.3 million – 14.9 percent of total employment in the region and 23.6 percent of total payroll.

- Oil and gas industry direct employment of Kenai Peninsula Borough residents by the primary companies was 939 in 2007 with payroll of \$99.1 million.
- The industry reported contracts of at least \$500,000 with each of 30 local Kenai Peninsula Borough businesses – this number does not include businesses operating in the borough but with primary headquarters in other Alaska locations. This primary company spending in the KPB created 743 support activity jobs located in the borough with \$53.6 million in payroll.
- 1,274 KPB residents worked in oil and gas industry support activity jobs in 2007 with wages of \$101.3 million. These are jobs held by KPB residents who work both in and out of the borough.
- The industry generated 3,664 indirect and induced jobs in KPB in 2007.²⁰ Indirect jobs generated \$163.2 million in payroll, including all support activity jobs held by KPB residents.

The KPB had an estimated population of 51,350 in 2006. The peninsula is rich in natural resources and has an economy that is unusually well diversified for Alaska - boasting industry in tourism, fishing, seafood processing, mining, and oil and gas extraction and exploration, and refining. Average annual wages in the borough in 2006 were \$35,971. An individual working in the oil and gas extraction industry in the Alaska made an average annual wage of more than \$150,000 – more than four times the overall average annual wage in the area.

The largest employers in the KPB are public sector in the form of government and education. Healthcare also plays an important role with two of the top ten employers in the region being hospitals.

²⁰ These jobs were created by companies in support industries providing goods and services to the primary companies and by employees of both primary and support industry companies spending their personal income locally on consumer goods, other property, services and taxes.

Table 29: Ten Largest Employers, Kenai/Soldotna

Firm	Employees
State Government	1,171
Kenai Peninsula Borough School District	775
Central Peninsula General Hospital	580
Federal Government	483
Kenai Peninsula Borough (local government)	390
Alaska Petroleum Contractors Inc. ²¹	319
Frontier Community Services Inc.	301
Icicle Seafoods Inc.	289
South Peninsula Hospital Inc.	274
Fred Meyer Stores Inc.	268

Source: DOLWD

The sixth largest employer on the Peninsula is Alaska Petroleum Contractors Inc. with 319 employees in 2007. Three other private sector oil and gas companies make the top 15 list – providing significant employment opportunities on the peninsula, they are: Tesoro Alaska, Peak Oilfield Services, Inc. and Chevron.

THE ROLE OF THE OIL INDUSTRY IN THE KENAI PENINSULA BOROUGH

The KPB economy is affected by the oil and gas industry in several ways. Oil and gas production and related support activities in Cook Inlet create local jobs and income, as does the local refinery. In addition, significant numbers of North Slope workers reside in the borough. The oil and gas industry directly generated 1,170 jobs in the KPB in 2007 with an associated \$101 million in payroll. Four oil and gas industry firms are counted among the top 15 employers in the KPB.

Table 30 describes direct employment with an oil and gas primary company and support activity by place of work. These are jobs with sites located within the Borough. Please note in the table below that not all payroll numbers are displayed, this is to protect the confidentiality of oil and gas industry companies and their employees.

Table 30: Direct Primary & Support Activity Employment and Payroll by Place of Work, Kenai Peninsula Borough

	Oil & Gas Extraction	Refinery	Regional Pipeline	Total Direct Employment	Support Activities	Total
Employment	228	185	14	427	743	1,170
Payroll (\$ millions)	\$27.4	*	*	\$47.1	\$53.6	\$100.7

Source: DOLWD data and Study Team estimates.

The indirect and induced impact of the oil and gas industry in the KPB area is estimated to total just over 3,664 jobs and \$163.2 million in annual payroll. The businesses and organizations that provide goods and services to the oil industry and

²¹ Alaska Petroleum Contractors Inc. is a subsidiary of ASRC Energy Services

The Role of the Oil and Gas Industry in Alaska's Economy

the households of its employees produced a total economic output of approximately \$478 million, with value-added of \$326 million.

Table 31 shows the number of indirect jobs, gross payroll and value added that the oil and gas industry generated in 2007 in the KPB economy.

Table 31: Oil & Gas Industry Indirect Employment, Payroll, Value Added and Output, Kenai

Indirect Jobs	Gross Pay (\$ millions)	Value Added (\$ millions)	Output (\$ millions)
3,133	\$115.5	\$326.4	\$478.2

The pie charts in Figure 7 show the distribution of these jobs and payroll within the economy.

Figure 7: Distribution of Indirect Jobs and Payroll, Kenai Peninsula Borough

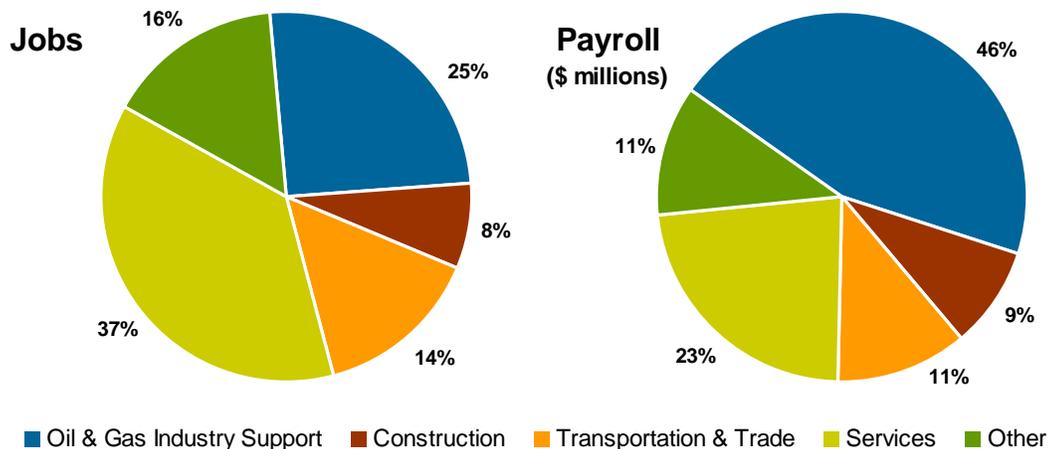


Table 32 illustrates the difference in positions and payroll by place of work versus place of residence. The number of KPB residents that earn income from the oil and gas industry is significantly larger than the number of residents that work in the industry on the peninsula. While oil and gas industry jobs located in the KPB accounted for \$101 million in annual payroll, jobs located in the borough and elsewhere in the state (the North Slope) held by residents accounted for nearly twice that number, \$200 million in payroll in 2007.

Table 32: Direct Oil & Gas Primary and Support Activity Employment and Payroll by Place of Work and Place of Residence, Kenai

Kenai Peninsula Borough Direct Impacts	By Place of Work	By Place of Residence
Direct Employment	427	939
Direct Payroll (\$ millions)	\$47.1	\$99.1
Support Employment	743	1,274
Support Payroll (\$ millions)	\$53.6	\$101.3
Total Employment	1,170	2,213
Total Payroll (\$ millions)	\$100.7	\$200.5

Source: DOLWD data and Study Team estimates

Indirect and induced employment and payroll totals 3,664 jobs and more than \$163 million in payroll – this number includes peninsula residents employed in an industry support activity working elsewhere in the state. Total oil and gas related employment accounts for 14.9 percent of total regional employment and 23.6 percent of total regional payroll.

Table 33: Total Oil & Gas Industry-related Employment and Payroll by Place of Residence

Kenai Peninsula Borough Direct and Indirect Impacts	By Place of Residence
Direct Employment	939
Direct Payroll (millions)	\$99.1
Indirect and Induced Employment	3,664
Indirect and Induced Payroll (millions)	\$163.2
Total Oil & Gas Industry-related Employment	4,603
Total Oil & Gas Industry-related Payroll (millions)	\$262.3
Total KPB Employment (2006)	30,855
Percent Oil & Gas Industry Related	14.9%
Total KPB Payroll (2006, millions)	\$1,110.7
Percent Oil & Gas Industry Related	23.6%

*Includes wage and salary disbursements and proprietor's income.

Source: KPB employment and payroll data is from BEA

MATANUSKA-SUSITNA BOROUGH

SUMMARY OF IMPACTS

Altogether the oil and gas industry is responsible for the creation of 3,031 jobs for the Mat-Su with wages to residents of \$231.4 million – almost 10 percent of total employment in the region and 12 percent of total payroll.

- Total oil and gas industry direct employment of Mat-Su residents by the primary companies was 830 in 2007 with payroll of \$98.2 million.

The Role of the Oil and Gas Industry in Alaska's Economy

- The total number of Mat-Su residents working in oil and gas industry support activity jobs was 401 in 2007 with wages of \$36.1 million. These are jobs held by Mat-Su residents who work outside the borough.
- There were 2,201 indirect and induced jobs generated by the oil and gas industry for the Mat-Su.²² Indirect and induced jobs generate \$133.2 million in payroll. Due to the unique relationship and proximity between the Anchorage and Mat-Su economies, the total indirect and induced jobs and payroll in Mat-Su does not include support activity employment as it does in other regions.

The average annual wage in 2006 was \$32,542, substantially lower than the statewide average of \$41,326 and nearly five times lower than the annual average income for an oil and gas worker in 2007. Many high paying jobs are located in Anchorage while lower paying service industry jobs are located in Mat-Su; wages for residents are a mix of the two. The Mat-Su has been the fastest growing part of the state for the last 20 years. Most of this growth has been attributed to its proximity to Anchorage and the availability of affordable housing.

According to Alaska Economic Trends, June 2007, more than 44 percent of the borough's workforce finds employment outside its borders with 33 percent heading to Anchorage on their daily commute. The 44 percent of workers who commute outside the borough – either to Anchorage, the North Slope or elsewhere – bring home 58 percent of total wages. Because of the nature of the relationship between the economies of the Municipality of Anchorage and the Matanuska-Susitna Borough, assumptions about workforce and impact must be made. For example, the impact reported by the BEA for Anchorage only takes into consideration the place of work – in reality an estimated six to seven percent of those jobs are held by Mat-Su residents who do much of their spending outside of Anchorage.

The three largest sectors in terms of numbers of employees within the borough are: Government (including public education) 19 percent, Retail Trade 17 percent and Healthcare and Social Assistance with 13 percent.

²² These jobs were created by companies in support industries providing goods and services to the primary companies and by employees of both primary and support industry companies spending their personal income locally on consumer goods, other property, services and taxes.

Table 34: Ten Largest Employers, Mat-Su 2007

Firm	Employees
Mat-Su Borough School District	1,061
State Government	1,014
Palmer-Wasilla Health System LLC	664
Safeway Inc.	478
Wal-Mart Associates Inc.	459
Fred Meyer Stores Inc.	393
Matanuska-Susitna Borough	353
Alaska Hotel Properties LLC	295
Federal Government	198
CIRI Alaska Tourism Corporation	176

Source: DOLWD

ROLE OF OIL INDUSTRY IN MATANUSKA-SUSITNA BOROUGH

The economic impact of the oil and gas industry in Mat-Su is unusual in that the effect is limited to indirect and induced effects. There is no direct oil and gas industry employment in the borough; however a significant number of industry employees reside in the borough, some who work on the North Slope, and many more who commute to Anchorage.

Table 35: Direct Oil & Gas Primary Company and Support Activity Employment and Payroll, Mat-Su Borough 2007

Mat-Su Borough Direct Impacts	By Place of Work	By Place of Residence
Direct Employment	0	830
Direct Payroll (\$ millions)	0	\$98.2
Support Employment	2	401
Support Payroll (\$ millions)	\$0.2	\$36.1
Total Employment	2	1,231
Total Payroll (\$ millions)	\$0.2	\$134.3

Source: DOLWD data and Study Team estimates.

Although the oil and gas industry does not operate directly in the Mat-Su borough it is an important part of the local economy. The industry provides high-income direct employment to 830 borough residents who in turn create employment opportunities within the borough through their spending. The estimated number of indirect and induced jobs for the Mat-Su borough is 2,201 – this number includes all Mat-Su residents employed in support activity positions located outside the borough - with payroll of \$133.2 million.

Table 36: Total Oil & Gas Industry-related Employment and Payroll

Mat-Su Borough Direct and Indirect Impacts	2007
Direct Employment	830
Direct Payroll (\$ millions)	\$98.2
Indirect and Induced Employment	2,201
Indirect and Induced Payroll (\$ millions)	\$133.2
Total Oil & Gas Industry-related Employment	3,031
Total Oil & Gas Industry-related Payroll (\$ millions)	\$231.4
Total Mat-Su Employment (2006)	30,441
Percent Oil & Gas Industry Related	10%
Total Mat-Su Payroll (2006, \$ millions)	\$1,920.6
Percent Oil & Gas Industry Related	12.1%

*Net earnings by place of residents

Source: BEA

Because the Mat-Su and Anchorage economies are so closely intertwined, it is difficult to determine with any precision what role the oil and gas industry plays in the borough economy. For example, the total employment numbers reported by BEA are for jobs located in the borough but we know that an estimated one third of all Mat-Su residents work in Anchorage. Additionally, jobs located in Anchorage pay higher wages than those located in the Mat-Su – deflating the total payroll number reported for the area.

NORTH SLOPE BOROUGH

SUMMARY OF IMPACTS

There are a lot of jobs on the North Slope - 1,741 primary company direct jobs with wages of \$198.7 million and another 5,799 jobs in support activity with wages of \$521.2 million.

- The vast majority of the 1,741 primary company direct jobs on the North Slope are occupied by employees that do not reside on the slope – non-resident in this case means living in other parts of Alaska. Primary company direct payroll to borough residents was less than half a million dollars in 2007.
- Reliable data is not available to count the number of residents employed in oil and gas support activities.
- There are 980 indirect and induced jobs²³ generated by the oil industry for the North Slope Borough. Payroll for these jobs totals \$40 million.

²³ These jobs were created by companies in support industries providing goods and services to the primary companies and by employees of both primary and support industry companies spending their personal income locally on consumer goods, other property, services and taxes.

- All together the oil and gas industry is responsible for the creation of 984 jobs in the NSB with payroll of \$40.4 million – 9 percent of total employment and 15 percent of total payroll.

Average annual wages on the North Slope in 2006 were \$73,614 - much higher than the statewide average of \$41,326. Individuals working in oil and gas extraction in Alaska had average annual wages of more than \$150,000, just two times higher than overall average annual wage, indicating that the majority of work on the North Slope is a part of the oil and gas industry.

Nine of the top 10 largest employers in the borough are oil industry companies or oilfield service companies.

Table 37: Ten Largest Employers, North Slope Borough

Firm	Employees
Alaska Petroleum Contractors Inc. ²⁴	1,869
CMH2Hill	1,379
BP Exploration Inc.	1,241
North Slope Borough	810
Doyon/Universal Ogden J/V	691
Conoco Phillips Company	504
Nabors Alaska Drilling Inc.	461
Udelhoven Oilfield System Services	416
Schlumberger Technology Corporation	415
Doyon Drilling	322

Source: DOLWD

THE OIL INDUSTRY'S ROLE IN THE NORTH SLOPE BOROUGH

Alaska's North Slope is the heart of Alaska's oil industry. In 2007 more than 7,500 jobs were based there with \$720 million in annual payroll. This includes 1,741 jobs with the primary companies and 5,799 jobs with businesses engaged in oil and gas industry support activities. The 7,540 oil and gas industry jobs reported for the NSB represent 62 percent of 12,066 total jobs reported by DOLWD for the borough in 2007.

Table 38: Direct Oil & Gas Primary Company and Support Activity Employment and Payroll by Place of Employment, NSB 2007

North Slope Borough Direct Impacts	Oil & Gas Extraction & Pipeline	Support Activities	Total
Employment	1,741	5,799	7,540
Payroll (\$ millions)	\$198.7	\$521.2	\$719.9

Source: DOLWD data and Study Team estimates

²⁴ Alaska Petroleum Contractors Inc. is a subsidiary of ASRC Energy Services

The number of jobs on the North Slope is not, however, a good indicator of the number of borough residents employed in the oil and gas industry. Few NSB residents hold oil and gas industry jobs on the North Slope. Data is not available on the number of support activity jobs held by North Slope residents. The economic benefit of the oil and gas industry to the resident of the NSB is primarily related to taxes on oil industry operations. More than 98 percent of 2007 property tax revenues to the borough came from the oil and gas industry in 2007. These tax revenues are outlined in the tax and royalties section of this report.

The economic impact of the oil and gas industry on the NSB includes the substantial interests of the Arctic Slope Regional Corporation (ASRC). ASRC's interests include land ownership, oilfield services, and ownership interest in Petro Star, among other connections to the oil and gas industry. However, assessing the economic impact of ASRC's role in the oil and gas industry is beyond the scope of this analysis. Given that, the analysis of the economic impact of the oil and gas industry, by place of residence, presented in the following table, under-represents the role of the industry in the region's economy.

Table 39: Total Oil & Gas Industry-related Employment and Payroll by Place of Work, NSB 2007

North Slope Borough Direct and Indirect Impacts	By Place of Work
Direct Employment	1,741
Direct Payroll (\$ millions)	\$198.70
Indirect and Induced Employment	6,779
Indirect and Induced Payroll	\$561.20
Total Oil and Gas Related Employment	8,520
Total Oil and Gas Related Payroll (\$ millions)	\$759.90
Total Area Employment (2006)	11,004
Percent Oil & Gas Industry Related	77%
Total Area Payroll (2006)*	\$973.60
Percent Oil & Gas Industry Related	78%

*By place of work payroll is total payroll for all employees, whether resident or non-resident. By place of residence payroll is net earnings for Borough resident only.

Source: BEA

Table 40: Total Oil & Gas Industry-related Employment and Payroll by Place of Residence, NSB 2007

North Slope Borough Direct and Indirect Impacts	By Place of Residence
Direct Employment	4
Direct Payroll (\$ millions)	\$0.40
Indirect and Induced Employment	980
Indirect and Induced Payroll (\$ millions)	\$40.0
Total Oil & Gas Industry-related Employment	984
Total Oil & Gas Industry-related Payroll (\$ millions)	\$40.4
Total NSB Employment (2006)	11,004
Percent Oil & Gas Industry Related	8.9%
Total NSB Payroll (2006, \$ millions)	\$270.0
Percent Oil & Gas Industry Related	15.0%

VALDEZ REGION

SUMMARY OF IMPACTS

Direct industry jobs averaged 284 in 2007 with associated wages of \$36.7 million. Data supplied to the project team reported these 284 jobs held by residents of the Valdez-Cordova census area. Information was requested by zip-code of the home address listed on employee W-2 forms. For the purposes of this analysis the project team assumes that the data submitted is correct.

- Altogether the oil and gas industry is responsible for the creation of 684 jobs for the Valdez area with payroll of \$53.5 million – 24 percent of total employment in the region and 35 percent of total payroll.
- Total oil and gas industry direct employment of Valdez residents by the primary companies was 284 in 2007 with payroll of \$35.5 million.
- The industry reported contracts of at least \$500,000 with each of four local Valdez businesses – this number does not include businesses operating in the borough but with primary headquarters in another Alaska location.
- There are 400 indirect and induced jobs generated by the oil and gas industry for the Valdez area.²⁵ Indirect and induced jobs generate \$18 million in payroll - all support activity jobs held by Valdez residents are included in this number.

Average annual wage in Valdez in 2006 was \$42,529, slightly higher than the statewide average but still three times lower than the average oil and gas industry worker in the state. Valdez is the terminal of the Trans-Alaska Pipeline and as such the oil and gas industry have played an important part in the local economy since

²⁵ These jobs were created by companies in support industries providing goods and services to the primary companies and by employees of both primary and support industry companies spending their personal income locally on consumer goods, other property, services and taxes.

TAPS construction in the '70's. Transportation of crude oil is the dominant industry in Valdez.

Table 41: Ten Largest Employers, Valdez-Cordova Census Area, 2007

Firm	Employees
Peter Pan Seafoods Inc.	330
State Government	302
Alyeska Pipeline Services Inc.	254
Crowley Marine Services Inc.	247
Great Pacific Seafoods Inc.	209
Bear and Wolf LLC	199
Federal Government	192
City of Valdez	152
Trident Seafoods Corporation	121
Copper River Seafoods Inc.	120

Source: DOLWD

Tourism is a growing sector of the economy in Valdez with well over 100,000 visitors in the summer and enough snow to draw ski and snowboarding tourists from outside and other parts of the state. Commercial fishing is not a huge part of the Valdez economy, three of the four large fish processing facilities listed below are in located outside the city of Valdez but within the census area.

ROLE OF OIL IN THE VALDEZ ECONOMY

Oil is the most important industry in Valdez. The community's largest year round private employer is Alyeska Pipeline Service Company. Revenue from oil related sources funds approximately 70 percent of the Valdez City budget. The City has been able to save a portion of this tax revenue and has a Valdez permanent fund of approximately \$140 million.

Other significant oil-related employment sources include the Ship Escort and Response Vessel System (SERVS). SERVS focuses on oil spill prevention and response. Crowley Marine and TCC LLC are under contract to perform most response and prevention efforts.

Most SERVS personnel are employed either by Crowley Marine (tug escort services) or by TCC, LLC, a subsidiary of Chugach Alaska. According to DOLWD, Crowley Marine had annual average employment of 224 people in 2007; and TCC, LLC had average employment of 102. The majority of Crowley Marine Service employees, approximately 190, work eight-week shifts and live aboard vessels while in Valdez. There are currently 10 employees that live in Valdez year-round.

The Petro Star refinery is another significant oil industry employer in Valdez. In 2007 Petro Star employed an annual average of 31 workers in refinery operations in Valdez. Please note in the table below that not all payroll numbers are displayed, this is to protect the confidentiality of oil and gas industry companies and their employees.

Table 42: Direct Oil & Gas Primary Company and Support Activity Employment and Payroll by Place of Work, Valdez 2007

Valdez Direct Impacts	Refinery	Pipeline	Total Direct Employment	Support Activities	Total
Employment	31	253	284	30	315
Payroll (\$ millions)	*	*	*	*	\$37.6

Source: DOLWD data and Study Team estimates.

While it is not clear how many oil and industry workers employed in Valdez are full-time residents of the community, it is nevertheless clear that the oil industry is the single most important source of employment and income in the community. The industry directly or indirectly accounts for one quarter of all employment and over one-third of all payroll in the community.

Table 43: Total Oil & Gas Industry-related Employment and Payroll, Valdez 2007

Valdez Direct and Indirect Impacts	2007
Direct Employment	284
Direct Payroll (\$ millions)	\$35.5
Indirect and Induced Employment	400
Indirect and Induced Payroll (\$ millions)	\$18.0
Total Oil & Gas Industry-related Employment	684
Total Oil & Gas Industry-related Payroll (\$ millions)	\$53.5
Total Valdez Employment (2006 est. ²⁶)	2,800
Percent Oil & Gas Industry Related	24%
Total Valdez Payroll (2006 est.)	\$155.0
Percent Oil & Gas Industry Related	35%

Source: Study Team estimates

²⁶ BEA reports employment numbers by US Census are, thus including Cordova in their numbers. The Study Team estimated 2006 employment numbers for the City of Valdez for a more meaningful picture of oil and gas industry share.

III. TAX AND ROYALTY PAYMENTS TO LOCAL AND STATE GOVERNMENTS

The oil and gas industry's impact on the Alaska economy is felt statewide and throughout Alaska communities. The State's ability to provide services to its residents is dependent on the revenues it receives from its natural resources, and the federal government.

In fiscal year 2007, 88 percent of unrestricted general funds to the state came from oil and gas revenue. The oil industry paid \$5.2 billion to the state of Alaska in the form of taxes and royalties – more than 2.5 times the federal monies received for the same period. This amount represents 43 percent of total revenues to the state from all sources.²⁷ Federal funds and investment earnings accounted for 39 percent of total state revenue.

The state receives oil and gas revenue from four sources:²⁸

- **Oil and gas production tax** – This constitutes the largest portion, approximately 85 percent, of restricted and unrestricted oil revenue combined.
- **Royalties** - Almost all Alaska oil and gas production occurs on state lands leased for exploration and development. As the landowner, the state earns revenue from leasing as: (1) upfront bonuses, (2) annual rent charges and (3) a retained royalty interest in oil and gas production. State oil and gas leases provide that the state may take its oil royalty in barrels (in-kind) or as a percentage of the production value (in-value). In FY 2007, the state took approximately 60,000 barrels per day of North Slope production in-kind.
- **Corporate income tax** – A corporation's Alaska taxable income is derived by apportioning its worldwide taxable income to Alaska based on the average of three factors as they pertain to the corporation's Alaska operations: (1) tariffs and sales, (2) oil and gas production, and (3) oil and gas property.
- **Property tax** - An annual tax is levied each year on the full and true value of property taxable under AS 43.56. The tax on oil and gas property is the only statewide property tax; the valuation procedure focuses on three distinct classes of property—exploration, production and pipeline transportation.

²⁷ FY2007 revenues from all sources was \$12.3 billion.

²⁸ All the information in this section comes from "Revenue Sources Book," Alaska Department of Revenue, Tax Division. Fall 2004, Fall 2005, Fall 2006, & Fall 2007. Because data details are from annual reports, oil revenue totals may differ slightly from historical data totals.

The Role of the Oil and Gas Industry in Alaska's Economy

Most oil and gas revenue goes into the General Fund. In FY2007, oil and gas revenue accounted for 88 percent of all state general fund revenue, and nearly 100 percent of all state restricted revenue. Restricted oil and gas revenue includes the following:

- One-quarter of royalties go into the principal of the Alaska Permanent Fund and 0.5 percent go into the Public School Trust Fund.
- The Constitutional Budget Reserve Fund (CBRF) receives settlements of tax and royalty disputes between the state and oil and gas producers.
- The National Petroleum Reserve-Alaska (NPR-A) Fund, receives the State's share of all lease bonuses from sales in the NPR-A.

Table 44: Total Oil Revenue, FY2004-FY2007

Oil Revenue	FY2007	FY2006	FY2005	FY2004
Unrestricted	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Production Tax	2,208.4	1,199.2	863.2	651.9
Royalties Net	1,583.8	1,772.2	1,401.0	1,042.8
Petroleum Corporate Income Tax	594.4	661.1	524.0	298.8
Property Tax	65.6	54.5	42.5	47.3
Royalties - Oil and Gas Bonuses, Rents, Interest	29.2	11.9	18.8	13.3
Total Unrestricted Revenue	4,481.4	3,698.9	2,849.5	2,054.1
Restricted	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Royalties to Permanent Fund & School Fund	545.7	611.5	486.5	362.1
Tax Settlements to CBRF	101.9	43.7	27.4	8.4
NPR-A Royalties, Rents & Bonuses	12.8	2.9	31.6	2.5
Total Restricted Revenue	672.1	658.1	545.5	373.0
Total Oil Revenue	5,141.8	4,357.0	3,395.0	2,427.1

Substantial changes in the oil tax system will cause significant increases in the revenue collected by the state. Table 45 shows Department of Revenue projected oil revenue to the state for fiscal year 2008. The proportion of state revenue from oil is projected to increase to just under 66 percent – up from 43 percent in FY2007 – of total revenue in FY2008.

Table 45: Estimated Oil Revenue, FY2008²⁹

Oil Revenue	Est. FY2008
Unrestricted	(\$ millions)
<i>Production Tax</i>	\$6,100.0
<i>Royalties Net</i>	\$2,237.3
Petroleum Corporate Income Tax	\$619.2
Property Tax	\$60.4
Royalties - Oil and Gas Bonuses, Rents, Interest	\$12.7
Total Unrestricted Revenue	\$9,029.6
Restricted	(\$ millions)
Royalties to Permanent Fund & School Fund	\$731.4
Tax Settlements to CBRF	\$434.0
NPR-A Royalties, Rents & Bonuses	\$5.2
Total Restricted Revenue	\$1,170.6
Total Oil Revenue	\$10,200.2

IMPACT ON LOCAL GOVERNMENTS

The oil and gas industry directly and indirectly affects the Alaska economy at a statewide and local level. At a statewide level, the taxes, fees and royalties paid by the oil and gas industry to state coffers make possible such programs as revenue sharing and energy relief programs. On a local level, individual municipalities reap benefits from oil and gas local property taxes. The table below describes each of the study's regional revenues from local oil and gas property taxes. According to the Office of the State Assessor, in FY2007, local property taxes paid by the industry amounted to \$236 million, most of which (about \$199 million) was collected in the North Slope Borough. Valdez received the second largest share of property taxes from oil and gas, at almost \$20 million.

²⁹ Note that FY2008 ends June 30. Most figures in the table are from April 2008 Spring Forecast. Numbers that are italics are June 2008 projections.

LOCAL PROPERTY TAX REVENUE³⁰

Table 46: Oil & Gas Local Property Tax Revenues, 2004-2007

City, Borough or Municipality	2007	2007	2006	2005	2004
	percent of total	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Borough or Municipality	property tax				
Municipality of Anchorage	1.0%	\$4.2	\$1.3	\$0.8	\$0.8
Fairbanks North Star Borough	6.9%	\$5.7	\$4.2	\$4.3	\$4.3
Kenai Peninsula Borough	13.2%	\$7.0	\$6.7	\$7.5	\$7.9
Also taxed by Kenai City	4.1%	\$0.1	\$0.1	\$0.0	\$0.0
Matanuska-Susitna Borough	0.0%	\$0.0	\$0.0	\$0.0	\$0.0
North Slope Borough	98.2%	\$199.1	\$192.8	\$189.0	\$194.2
Boroughs and Municipalities Subtotal	26.3%	\$216.1	\$205.2	\$201.6	\$207.3
Cities in Unorganized Boroughs		(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Cordova	3.7%	\$0.1	\$0.05	\$0.0	\$0.0
Valdez	63.4%	\$19.9	\$18.3	\$13.0	\$13.1
Whittier	1.3%	\$0.0	\$0.0	\$0.0	\$0.0
Unorganized Borough Subtotal	56.7%	\$19.9	\$18.4	\$13.1	\$13.2
Total Oil & Gas Property Tax Revenues	27.5%	\$236.0	\$223.5	\$214.7	\$220.5

³⁰ All the information in this section comes from Alaska Department of Community and Regional Affairs, "Alaska Taxable: Municipal Taxation, Rates, and Policies," 2007, 2006, 2005, & 2004.

Table 47 shows the State taxable oil and gas property full value. In 2007, the State oil and gas full value was \$15.6 billion, up from the previous year's \$14.4 billion.

Table 47: State Taxable Oil and Gas Property Full Value, 2004-2007

City, Borough or Municipality	2007	2006	2005	2004
Borough	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Municipality of Anchorage	\$264.9	\$201.7	\$77.6	\$47.2
Fairbanks North Star Borough	\$369.5	\$377.8	\$275.3	\$271.2
Kenai Peninsula Borough	\$607.1	\$557.0	\$561.7	\$611.3
Matanuska-Susitna Borough	\$2.7	\$3.0	\$3.8	\$3.3
North Slope Borough	\$11,415.7	\$10,455.9	\$10,132.4	\$10,342.0
Borough Subtotal	\$12,659.9	\$11,595.5	\$11,050.8	\$11,275.0
City in Unorganized Borough	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Cordova	\$4.4	\$4.0	\$2.8	\$2.8
Valdez	\$992.9	\$915.4	\$652.5	\$663.5
Whittier	\$0.7	\$0.6	\$0.5	\$0.5
Unorganized Borough Subtotal	\$997.9	\$920.0	\$655.8	\$666.8
Outside Taxing Jurisdictions Subtotal	\$1,957.5	\$1,874.4	\$1,336.6	\$1,357.4
State Oil & Gas Full Value	\$15,615.3	\$14,389.9	\$13,043.2	\$13,299.1

PERMANENT FUND DIVIDEND

It is not within the scope of this project to assess the impacts of the permanent fund dividend but the project team would be remiss if it were left unmentioned. The Alaska Permanent Fund and the Permanent Fund Dividend paid to Alaskans are unique to the state and provide an indication of economic robustness and vitality. The State of Alaska created the Alaska Permanent Fund with revenues from the oil and gas industry. Continued oil and gas contribution to the state's treasury, in combination with a successful investment strategy, make the dividend possible.

The Alaska Permanent Fund Corporation manages the Alaska Permanent Fund, while the Permanent Fund Dividend Division of the Alaska Department of Revenue manages the Permanent Fund Dividend program. In 2007, 595,237 recipients each received a dividend for \$1,654.00 for a total disbursement of \$984 million.

IV. CHARITABLE CONTRIBUTIONS

The oil and gas industry fuels multiple aspects of the Alaska economy. Its impacts come not only in the form of direct wages and as a driver of indirect services; the industry also actively and directly contributes to the well being of Alaska as a community through its charitable spending. The primary companies make a substantial impact to Alaska via direct charitable contributions through charities representing a wide scope of interests, from the arts to education, to social and community groups. In 2007, the charitable contributions from the primary companies totaled in excess of \$28 million.

While almost 30% of charitable spending goes to organizations, events and activities that originate in Anchorage, the pie chart below shows that over \$14 million benefits Alaska at a statewide level.

Figure 8: Regional Distribution of Charitable Contributions by Primary Companies (\$ millions)

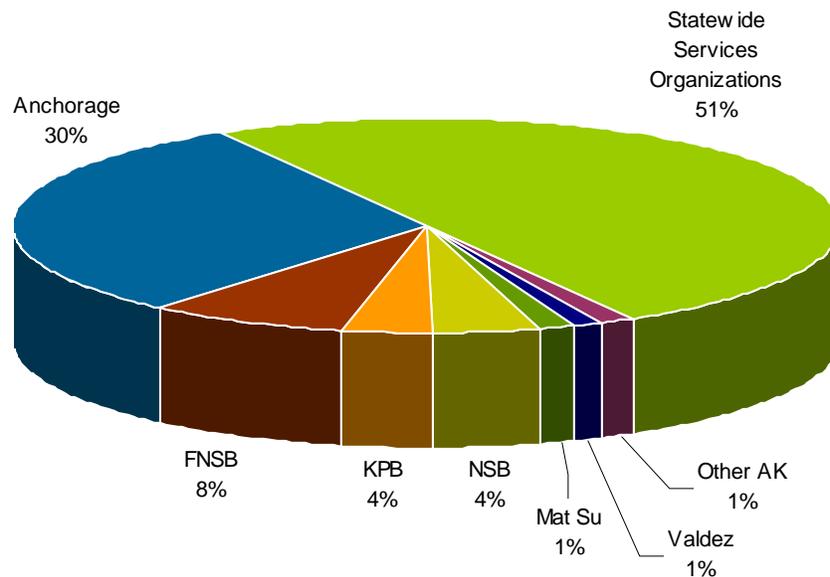


Table 48: Regional Distribution of Charitable Contributions

Region	Amount	Percent of Total
Anchorage	\$8,562,612	30.5 %
Fairbanks	\$2,206,968	7.9 %
Kenai	\$994,078	3.5 %
Mat-Su	\$400,317	1.4 %
North Slope	\$1,144,715	4.1 %
Valdez	\$342,768	1.2 %
Statewide Organizations	\$14,048,503	50.0 %
Other Statewide (outside other designated area)	\$380,230	1.4 %
Total	\$28,080,190	100%

The nonprofit sector in Alaska is big; in 2004 there were 2,602 registered 501(c)(3) charitable organizations (Alaska has more nonprofit organizations per capita than any other state). Of these, roughly half – or 1,364 – filed an informational tax return. These filing non-profits had revenue in 2004 of \$2.2 billion.

Total giving to other charitable organizations from all Alaska-based foundations totaled \$21.6 million in 2004.³¹ Because foundation giving in Alaska continues to increase, this figure provides a relative gauge rather than a current total.

The \$28 million in charitable contributions described in Table 48 represents the spending of the primary companies. It does not include charitable spending of individual oil and gas workers or charitable contributions made by support activity businesses throughout the state.

³¹ The Foraker Group Report on the Alaska Nonprofit Economy, by Scott Goldsmith at the Institute for Social and Economic Research, December 2006