Our Assignment

Assess the statewide and local impact of oil and gas industry spending

| Municipality of Anchorage | Fairbanks North Star Borough | Kenai Peninsula Borough | Mat-Su Borough | North Slope Borough | City of Valdez |

Assess statewide employment impact of taxes and royalties paid by the oil and gas industry
Our Goals

Track direct spending by 17 “Primary Companies”

Measure direct, indirect, and induced job and wage impacts

Track tax and royalty payments made by the oil and gas industry and employment and wage impacts

<table>
<thead>
<tr>
<th>State agency (Operating budget)</th>
<th>State programs</th>
<th>Capital projects</th>
<th>Permanent Fund Dividend</th>
<th>Local government operations</th>
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Economic Context
Oil Prices, Production and Markets

Alaska Crude Oil Production* and Alaska North Slope Oil Price, SFY2004-SFY2019

U.S. and Alaska Average Daily Oil Production (1,000 barrels), 1900-2018

* Include Cook Inlet and North Slope production, SFY2019 production is forecasted.
Source: Alaska Department of Revenue.

Background: Recession in Alaska

• Oil prices started sliding in late 2014, bottoming in early 2016, falling from over $110/barrel to $30/barrel
• Annual unrestricted petroleum revenue to SOA declined from $4.8 billion to under $0.9 billion
• Annual industry OPEX and CAPEX dropped from $8.3 billion to $5.4 billion
• Alaska lost 11,700 jobs between 2015 and 2018, including 4,800 oil & gas industry jobs
• Today, industry investment is on the rise, statewide job growth has returned.
• Events of 2014 to 2018 clearly illustrate the critical role the oil & gas industry plays in Alaska’s economy, and the importance of maintaining an attractive, competitive investment climate.
Key Statewide Findings
How money flows through our economy...

Oil and Gas Production Companies, Pipelines, and Refineries

- Direct Spending with Alaska Businesses
- Direct Employment and Payroll in Alaska
- Induced Employment and Payroll
- Local Government: Wages, Capital Projects, Programs
- State Government: Wages, Capital Projects, Programs
- Taxes and Royalties
- Indirect Employment and Payroll
- Wages, Capital Projects, Programs

McDowell GROUP
In 2018, Primary Companies...

**Employed Alaskans**
- Employed 4,111 Alaska residents, earning $983 million in wages
- Represent 84% of “Primary Company” total employment (4,906) and 83% of total wages ($1.2 billion)

**Spent with Alaska Vendors**
- Spent $4.4 billion with approximately 1,000 Alaska vendors

**Supported Government**
- Paid $3.15 billion to state and local governments, including:
  - $2.7 billion in taxes and royalties to state government
  - $449 million in oil and gas property taxes to local governments
- Funded (through prior oil and gas activity) $2.1 billion transferred from the Constitutional Budget Reserve Fund to bridge the gap between state revenue and spending
Also in 2018, Primary Companies...

**Impacted Private Sector**
- 4,111 Alaska resident jobs & $983 million in wages in direct impacts
- 37,700 jobs and $2.2 billion in wages, including oil and gas support services and all other indirect and induced impacts
- 41,800 total jobs & $3.1 billion in total wages

**Impacted Public Sector**
- Oil-related public sector payments (taxes, royalties, etc.) supported 35,800 jobs & $1.7 billion in total wages in Alaska

**Combined Economic Impacts**
- 77,600 jobs & $4.8 billion in wages in Alaska
State and Local Government Impacts

Total: 35,800 jobs

- State program spending: 12,500 Jobs
- State agency operations: 10,900 Jobs
- PFD distribution: 6,500 Jobs
- Local government operations and projects: 4,500 Jobs
- Capital spending: 1,400 Jobs
The Big Picture

Primary Company spending and tax/royalty spending accounted for:

- **24% of jobs**
  - 77,600 total jobs
  - 24% of all Alaska wage and salary jobs

- **27% of wages**
  - $4.8 billion in wages
  - 27% of all Alaska wages
Key Local Impact Findings
## Local Job and Wage Impacts

<table>
<thead>
<tr>
<th>Anchorage</th>
<th>Fairbanks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>25,761</strong> Jobs</td>
<td><strong>2,980</strong> Jobs</td>
</tr>
<tr>
<td><strong>$1.9 Billion</strong> in Wages</td>
<td><strong>$192 Million</strong> in Wages</td>
</tr>
<tr>
<td>14% of total jobs</td>
<td>6% of total jobs</td>
</tr>
<tr>
<td>16% of total resident wages</td>
<td>6% of total wages</td>
</tr>
<tr>
<td>17% of private sector jobs</td>
<td>10% of private sector jobs</td>
</tr>
<tr>
<td>19% of private sector wages</td>
<td>12% of private sector wages</td>
</tr>
</tbody>
</table>
## Local Job and Wage Impacts

### Kenai Peninsula Borough

<table>
<thead>
<tr>
<th>Jobs</th>
<th>Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,607</td>
<td>$405 Million</td>
</tr>
</tbody>
</table>

- **19%** of total jobs
- **23%** of total resident wages
- **5 of top 10** KPB property taxpayers are oil and gas companies

### Mat-Su Borough

<table>
<thead>
<tr>
<th>Jobs</th>
<th>Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,024</td>
<td>$281 Million</td>
</tr>
</tbody>
</table>

- **7%** of total Mat-Su resident jobs and wages
## Local Job and Wage Impacts

### North Slope Borough

<table>
<thead>
<tr>
<th>Jobs</th>
<th>Wages</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,637</td>
<td>$96 Million</td>
<td>95% ($377 million)</td>
</tr>
<tr>
<td></td>
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<td>of all NSB property tax revenue</td>
</tr>
</tbody>
</table>

### Valdez

<table>
<thead>
<tr>
<th>Jobs</th>
<th>Wages</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>631</td>
<td>$67 Million</td>
<td>87% ($44 million)</td>
</tr>
<tr>
<td></td>
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<td>of all Valdez tax revenue</td>
</tr>
</tbody>
</table>
In Summary
The Big Takeaways

Alaska’s oil and gas industry remains the single most important economic engine in the state

**Significant Source of Jobs**

77,600 jobs & $4.8 billion in wages

or 24% of all wage and salary jobs and 27% of all wages in Alaska

**Supports Private & Public Sectors**

1 ➔ 8 Jobs
For every Primary Company job, there are 8 other Alaska jobs associated with Primary Company spending

1 ➔ 7 Jobs
For every Primary Company job, there are 7 other Alaska jobs associated from oil-related taxes and royalties paid to the state

**Generates Wages**

$1 ➔ $4
For every dollar earned by Primary Company employees, $4 are generated in additional indirect and induced wages
Want to know more?

Download our study at: www.aoga.org