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

Prepared for:
Alaska Oil and Gas Association (AOGA)

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McDowell Group’s assignment

- Assess statewide & local impacts of private sector spending in:

- Assess statewide impact of public sector payments
What we did

- Tracked direct spending by 16 “Primary Companies”

- Measured direct, indirect, and induced jobs and wages
What we also did

- Tracked tax and royalty payments, and employment and wage impacts:
  - State agency (Operating Budget)
  - State programs
  - State capital projects
  - Permanent Fund Dividend
  - Local government operations
How does the money flow through Alaska’s economy?

Oil and Gas Production Companies, Pipelines, & Refineries
(16 "Primary Companies")

- **SPENDING** with Alaska businesses
  - INDIRECT employment & wages

- **WAGES** paid to Alaskan workers
  - INDUCED employment & wages

- **TAXES and ROYALTIES**
  - STATE and LOCAL government spending
    - Capital Projects, Gov’t Programs
    - Public Sector Wages
KEY STATEWIDE FINDINGS
Primary Companies Direct Impacts

- Employed 5,335 workers in Alaska
- 4,700 Alaska residents
- $780 million in wages to Alaska residents

- Spent $5 Billion with Alaska vendors

- Paid $7 Billion in taxes & royalties in Alaska
Primary Company private/public sector spending/payments account for:

- **111,500** total jobs — 33% of all wage and salary jobs in Alaska
- **$6.4 Billion** in wages — 38% of all Alaska wages
In other words...

For each “Primary Company” job, private sector spending and public sector payments generate 20 additional jobs in Alaska.
FAIRBANKS NORTH STAR BOROUGH IMPACTS
Industry jobs & wages in FNSB include:

- Refinery operations, TAPS, and support services, and resident North Slope workers
- 475 jobs with Primary Companies — $55 million in wages
- 750 jobs in the Oil and Gas Support Services — $60 million in wages
Other FBNS Impacts

- Other indirect effects, such as:
  - professional services firms
  - construction companies
  - transportation services, etc.

- Induced effects in virtually every sector of the local economy

- 2,275 other indirect and induced jobs — $135 million in wages
Total FNSB Impact

- Total direct, indirect & induced impact: 3,500 jobs and $235 million in wages
The FNSB Economy

- 42,100 wage & salary jobs with $2.9 Billion in wages
- The total impact of FNSB resident workers in the O&G industry:
  - 8% of FNSB jobs and wages
  - 1 in 7 FNSB private sector jobs (15%)
In Anchorage...

- 2,300 Primary Co. workers living in Anchorage — $440 million in wages
- 2,800 oil field services workers living in Anchorage — $260 million in wages
- In total, 5,100 Anchorage resident O&G workers earning $700 million in wages
Other Alaska Impacts

In Mat-Su Borough...

- 4,000 jobs held by Mat-Su residents, $310 million in wages
- 10% of all Mat-Su resident jobs & wages
- 2,700 Primary Co. & oil field services workers living in Mat-Su — $250 million in wages

In Mat-Su/Anchorage...

- 7,800 O&G industry workers living in Anchorage/Mat-Su area — $950 million in wages
Other Alaska Impacts

In Valdez…
- 700 jobs & $65 million in wages
- 88% ($35 million) of all Valdez property tax revenue

In Kenai Peninsula Borough…
- 6,000 jobs & $430 million in wages
- A quarter of all jobs & wages in KPB
- 13.7% ($8 million) of all KPB property tax revenue
In North Slope Borough...

- Few resident jobs with Primary Company or O&G support service companies; however, economic impact from local government payments is significant
- $347.5 million paid in property taxes, representing 99% of total Borough tax revenues
Nonresident employment is part of Alaska’s economy… (DOLWD 2012)

- State Government: 7%
- Refineries and Pipelines: 7%
- Health Care and Social Assistance: 10%
- All Sectors (Private and Public): 20%
- Prof., Scientific, and Technical Services: 23%
- All Private Sectors: 24%
- Oil and Gas Drillers: 27%
- Combined Oil and Gas Industry*: 30%
- Oilfield Support Services: 34%
- Accommodations: 42%
- Scenic and Sightseeing Transportation: 52%
- Seafood Processing: 74%
$7 Billion in Oil-related Revenue to the State
- 47% of all state revenue
- 92% of all unrestricted revenue
- Virtually all of Permanent Fund new principal ($856 million)
- 100% of the Constitutional Budget Reserve Fund new principal ($177 million)
$400 million in local property tax revenue
Oil & gas industry revenue accounts for jobs related to:

- State agency operations — 19,500 jobs
- State programs — 22,200 jobs
- State capital projects — 12,000 jobs
- PFD spending — 3,300 jobs
- Local government ops and projects — 3,500
- 60,000 total jobs and $3 Billion in wages
Local Tax Impacts in FNSB

- $8.4 million in property taxes to FNSB (2013) — 8% of total Borough revenue
  - Alyeska Pipeline Service Company is the largest contributor of property-tax revenue
  - Flint Hills refinery was the 4\textsuperscript{th} largest

- O\&G sector also paid \sim$100,000 in property taxes to City of Fairbanks
State Tax and Royalty Impacts in FNSB

Not measured, but...

- 5,470 state gov’t jobs in FNSB — 21% of all State employment in Alaska
- FNSB accounts for 14% of Alaska’s population

Therefore,...

- A significant share of the 60,000 jobs & $3 Billion in wages related to taxes & royalties are in FNSB
Summary

- Measured 111,500 O&G industry-related jobs and $6.4 Billion in wages in 2013
- 33% of all wage & salary jobs and 38% of all wages in Alaska attributed to the O&G industry
- 24% of all jobs and 28% of all earnings in Alaska
Want to learn more?

Download our study:
www.aoga.org