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 B with Alaska vendors

- Paid $7 B 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.
MAT-SU BOROUGH IMPACTS
Industry jobs & wages in Mat-Su Borough include:

- Cook Inlet, North Slope and Anchorage workers who live in MSB
- 535 jobs with Primary Companies — $80 M in wages
- 2,200 jobs in the Oil and Gas Support Services — $170 M in wages
Other Mat-Su Impacts

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

✿ Induced effects in virtually every sector of the local economy

✿ 1,265 other indirect and induced jobs — $60 M in wages
Total Mat-Su Borough Impact

- Total direct, indirect & induced impact: 4,000 jobs and $310 M in wages
The Mat-Su Economy

- 40,000 resident jobs with $3.2 B in wages
- The total impact of MSB resident workers in the O&G industry:
  - 10% of all MSB jobs and wages
Other Alaska Impacts

In Anchorage...

- 2,300 Primary Co. workers & $440 M in wages
- 2,800 oil field services workers & $260 M in wages
- Combined = 5,100 Anchorage resident O&G workers earning $700 M in wages

- TOTAL impacts – 31,000 jobs & $2 B in wages
  - 15% of all employment and 18% of all wages
  - 18% of private sector jobs & 22% of private sector wages
In Kenai Peninsula Borough

- 930 Primary Co. workers & $135 M in wages
- 2,250 oil field services workers & $180 M in wages
- Combined = 3,200 KPB resident O&G workers earning $315 M in wages
- TOTAL impact – 6,000 jobs & $430 M in wages
  - A quarter of all jobs & wages in KPB
- 14% ($8 M) of all KPB property tax revenue
  - 8 of the top 10 KPB property tax payers are O&G companies
In Fairbanks NSB

- 475 Primary Co. workers & $60 M in wages
- 750 oil field services workers & $60 M in wages
- Combined = 1,225 FNSB resident O&G workers earning $120 M in wages
- TOTAL impact – 3,500 jobs & $235 M in wages
  - 15% of private sector jobs & wages in FNSB
- 8% ($9 M) of all FNSB property tax revenue
  - #1 Alyeska and #4 Flint Hills Refinery
In Valdez

- TAPS-related and refinery jobs
- 455 Valdez resident O&G workers earning $49 M in wages
- TOTAL impacts – 700 jobs & $65 M in wages
  - 20% of private sector jobs and 37% of private sector wages in Valdez-Cordova CA
- $35 M in property taxes, representing 90% of all City of Valdez tax revenues
In North Slope Borough

- Few NSB resident jobs with Primary Co./O&G support service companies; however, economic impact from local government payments is significant
- 85 NSB resident O&G workers earning $3 M in wages
- TOTAL impact – 2,000 jobs & $115 M in wages
- $348 M paid in NSB 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 B 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 M)
- 100% of Constitutional Budget Reserve Fund new principal ($177 M)

$400 M 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 jobs
- **60,000 total jobs and $3 Billion** in wages
State Tax and Royalty Impacts in Mat-Su Borough

Not measured, but...

- 1,423 state gov’t jobs in Mat-Su Borough — 5% of all State employment in Alaska
- Mat-Su Borough accounts for 13% of Alaska’s population

Therefore, ...

- An important share of the 60,000 jobs & $3 B in wages related to taxes & royalties are employing Mat-Su Borough residents and providing services to Mat-Su’s population
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