

Petroleum: Jobs and Revenues

by

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Alaska State Legislature

House Resources Committee

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Petroleum: Jobs and Revenues

Primary Financial Support from



Basis for a Prosperous Economy



The Alaska Economy Runs on \$\$\$ From Outside

- Sale of Resources
- Tourists
- Federal Spending
- Retirees

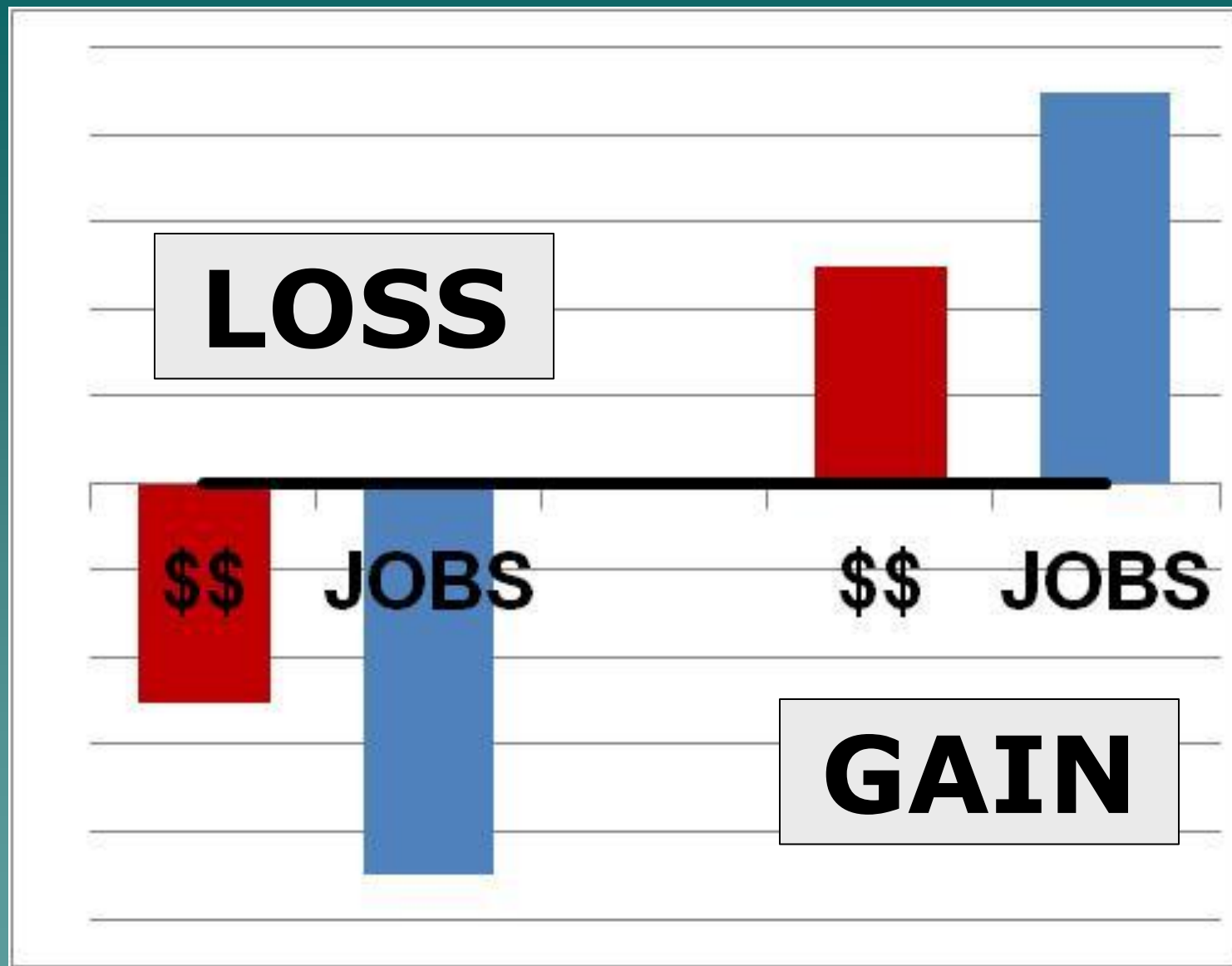


As Those \$\$ Circulate Thru the Economy, They Support These Other Types of Businesses



What is the Impact on Jobs and Revenues from a Cut in Petroleum Taxes?

- State Revenues from Currently Anticipated Production Fall
- Budget Cuts Reduce Public and Private Jobs
- Increase in Petroleum Industry Investments Increases Private Jobs
- Increase in Oil Production increases state revenues
- Higher state revenues increases Public and Private Jobs



Not a Prediction



Oil and the Alaska Economy

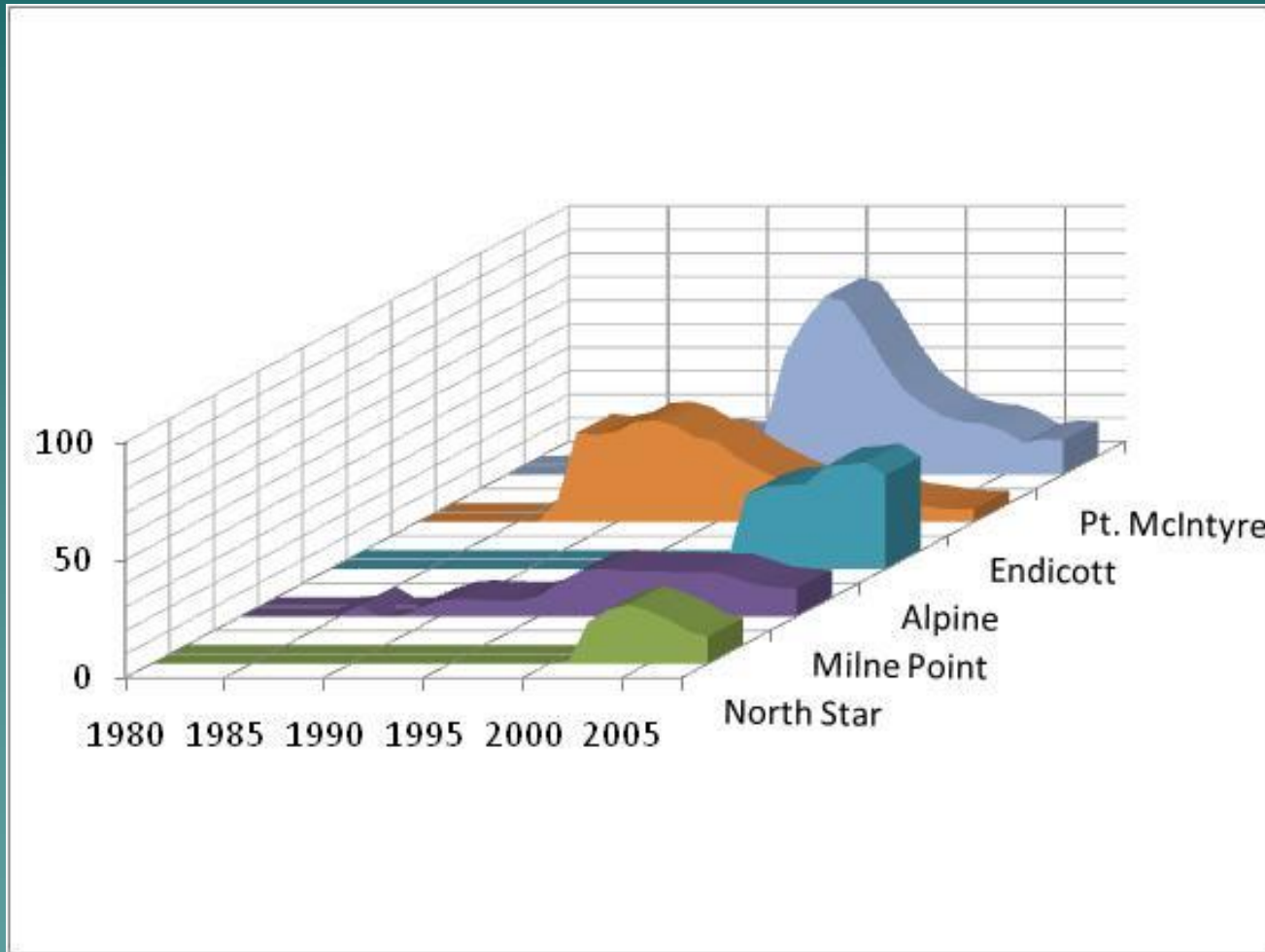
What Happens to Investment When taxes Cut \$1 Billion?

If Alberta cuts its tax rates, will oil companies take that money and come to Alaska to invest?

Or, Is Alaska different from every other oil rich region?

LEVERAGE

Oil Development & Production: Each Project Unique



Jobs to Production Relationship



How Does the State Spend its Money?

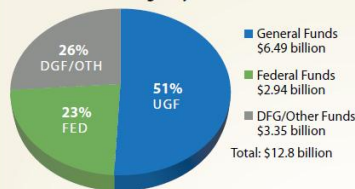
Responsible and Responsive



SEAN PARNELL
GOVERNOR OF ALASKA

ALASKA'S FISCAL YEAR 2014 BUDGET PROPOSAL

Alaska's Budget by Source of Funds



The FY 2014 Budget Proposal Supports Alaska's Priorities:

Resource/Energy Development

Alaska's resources provide Alaskans with opportunity.

- Roads to Resources \$18 million
- Gasline Development \$50 million
- Geologic Materials Center \$15 million
- Chinook Salmon Research \$10 million
- Strategic Minerals \$2.7 million
- Permitting and Statewide Mapping \$7.3 million
- Sustainable Energy Fund \$125 million
- Sustitna-Watana Hydro Project \$95 million
- Interior Energy \$50 million
- Weatherization/Home Energy \$51.5 million
- Renewable Energy \$25 million

Education

Alaska's K-12 public education system prepares students for success in college or job-training programs.

- K-12 Education \$1.25 billion
- Alaska Performance Scholarships \$8 million
- Alaska Digital Learning Initiative \$5.9 million
- Early Learning \$14.6 million
- School Construction \$46.2 million
- Major Maintenance \$22.3 million

Transportation/Infrastructure

Alaska's economy depends on access and infrastructure to support development.

- Statewide Highway and Aviation \$971 million
- Alaska Marine Highway \$182 million
- Municipal Water and Sewer Projects \$34 million
- Village Safe Water \$56.5 million
- State Funds to leverage federal and local \$141 million

Public Safety

The budget prioritizes safe homes and strong families.

- Choose Respect Initiative \$14.8 million
- 18 New Alaska State Troopers \$3.7 million
- 15 New Village Public Safety Officers \$2.7 million
- Investigate/Prosecute child sexual abuse \$1.6 million
- Emergency - Blood Bank of Alaska \$7 million

Military Support

We honor Alaska's military community.

- Interior Alaska Veterans Cemetery \$2.5 million
- Homeland Security \$19.6 million
- Alaska Military Youth Academy \$11.1 million
- Veterans Services and Outreach \$2 million

"Our fiscal plan is built on our state's resources and spending discipline. We focus on priorities that grow our economy and strengthen our families – for Alaskans today and tomorrow."

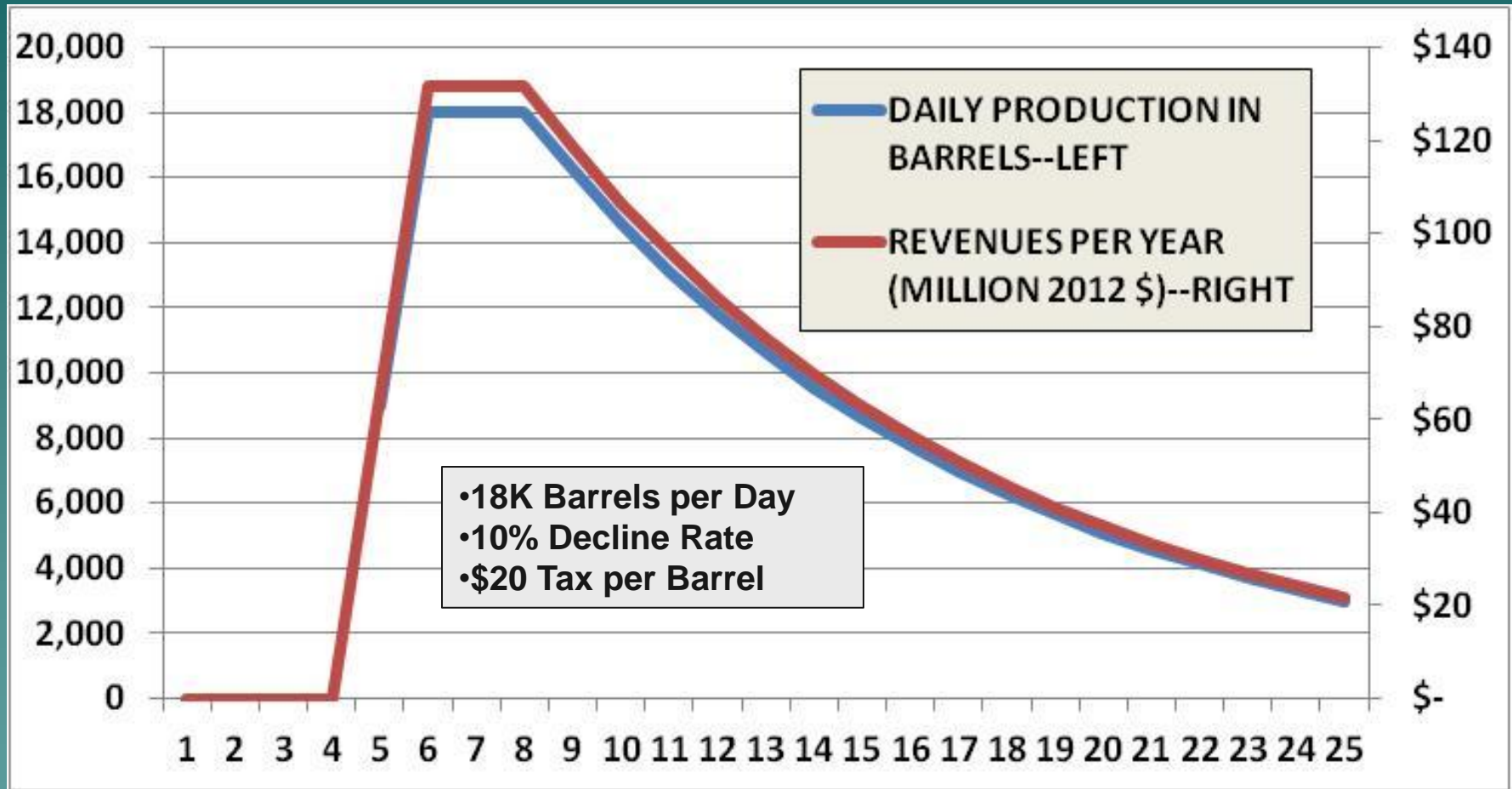
Sean Parnell
GOVERNOR



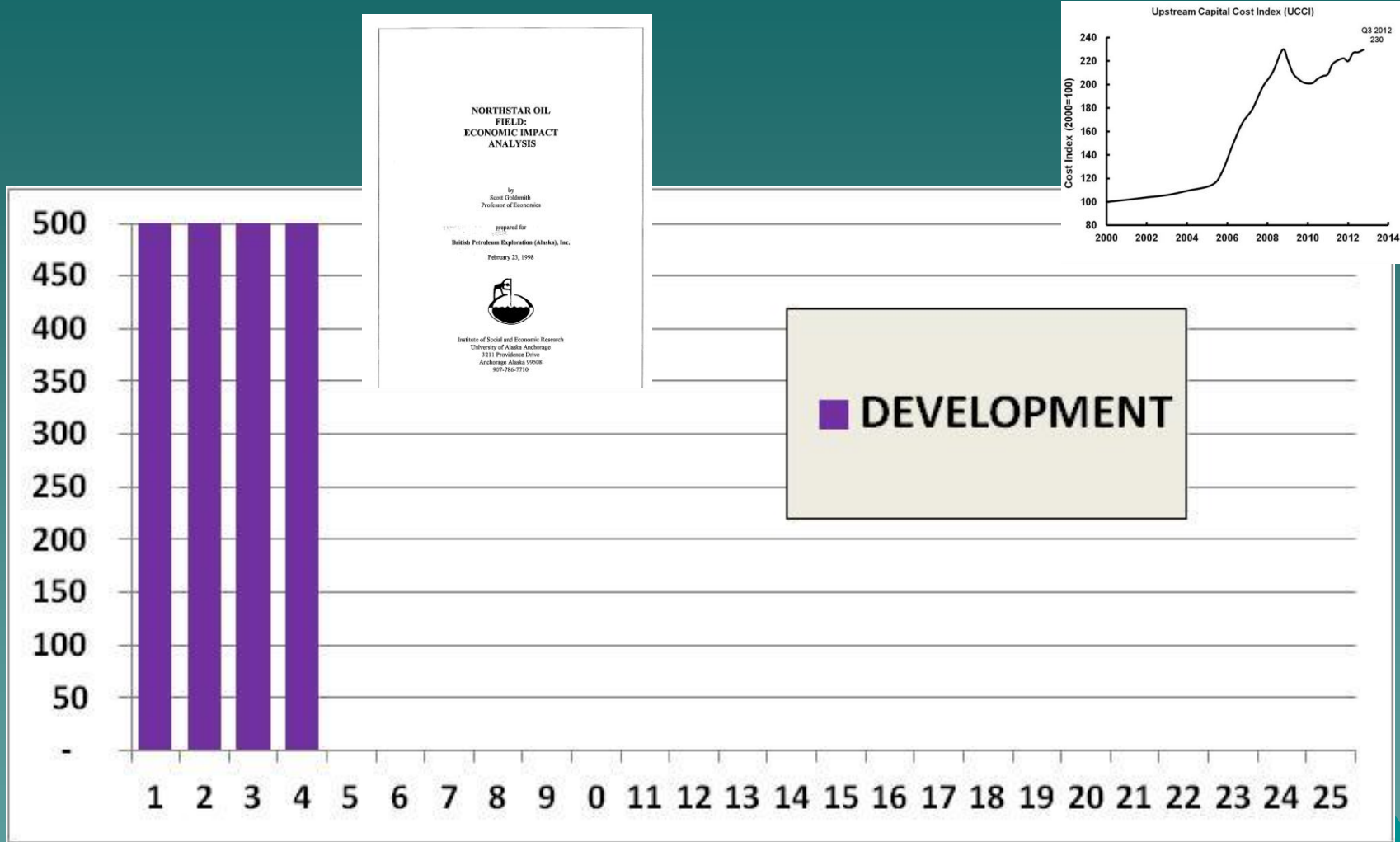
Responsible and Responsive • Alaska's FY 2014 Budget Proposal

For more information, go to: omb.alaska.gov

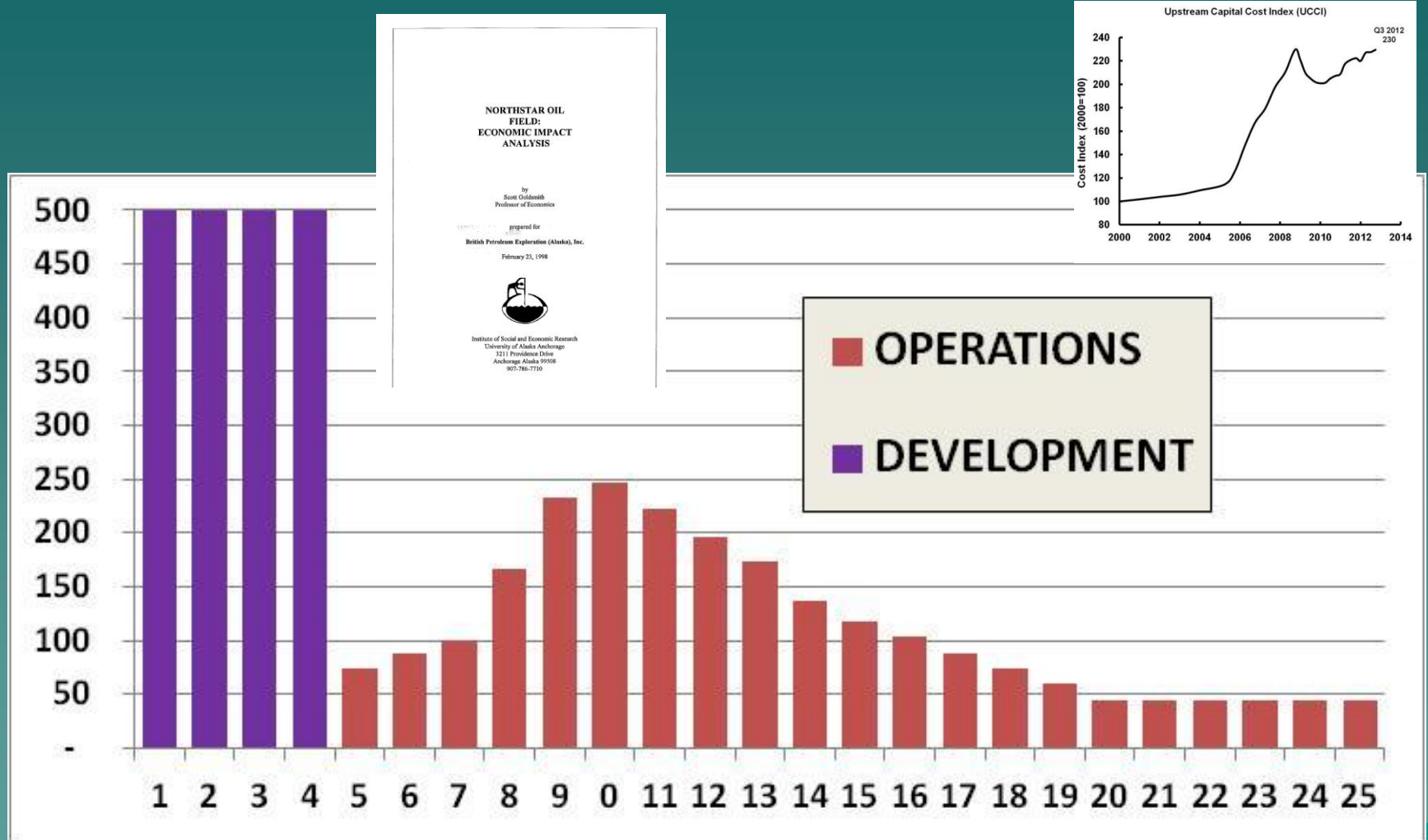
Hypothetical \$1 Billion Field



New Field: Direct Jobs



New Field: Direct Jobs



25 Year Cumulative Totals

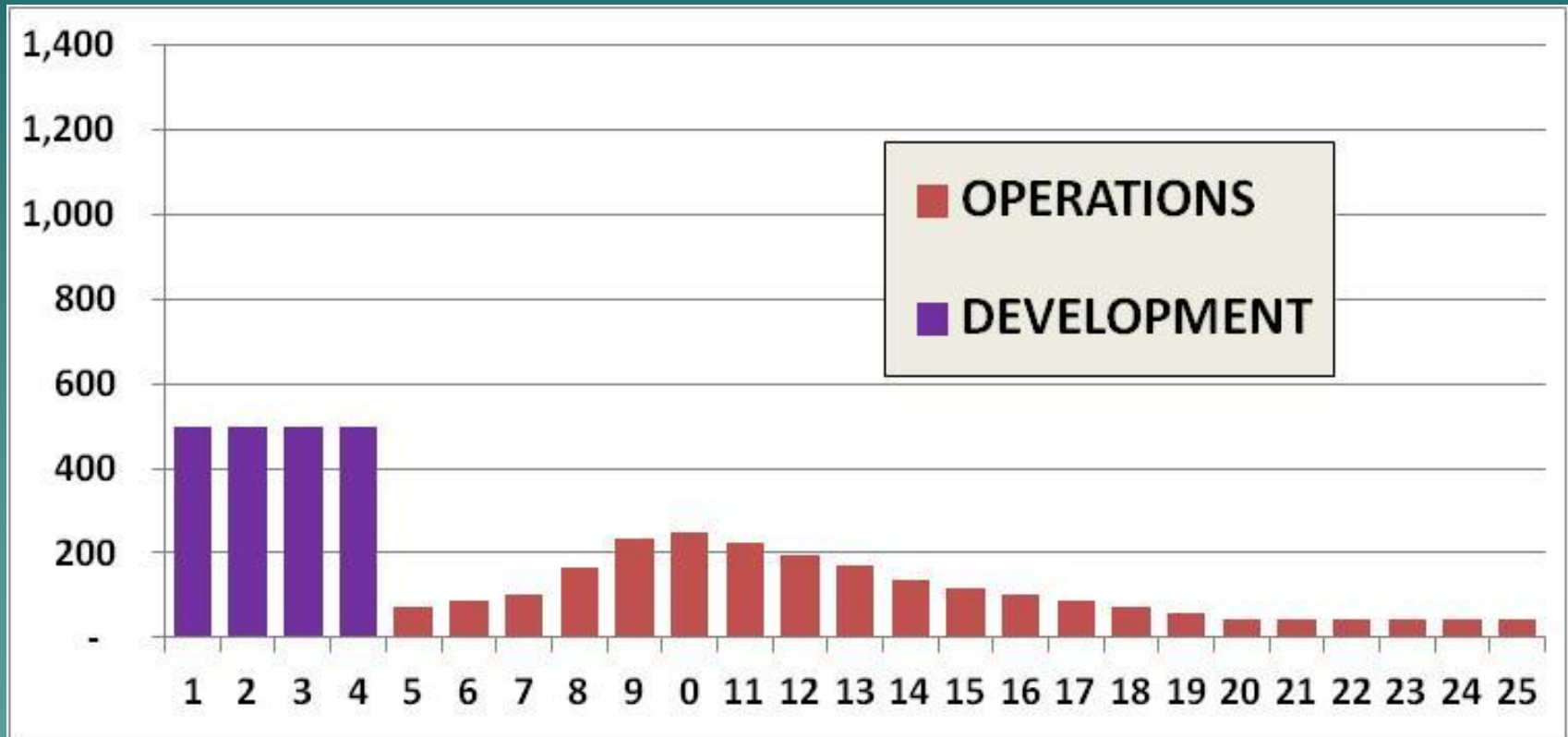
Production = 72 Million Barrels

Revenues = \$1.445 Billion (2012 \$)*

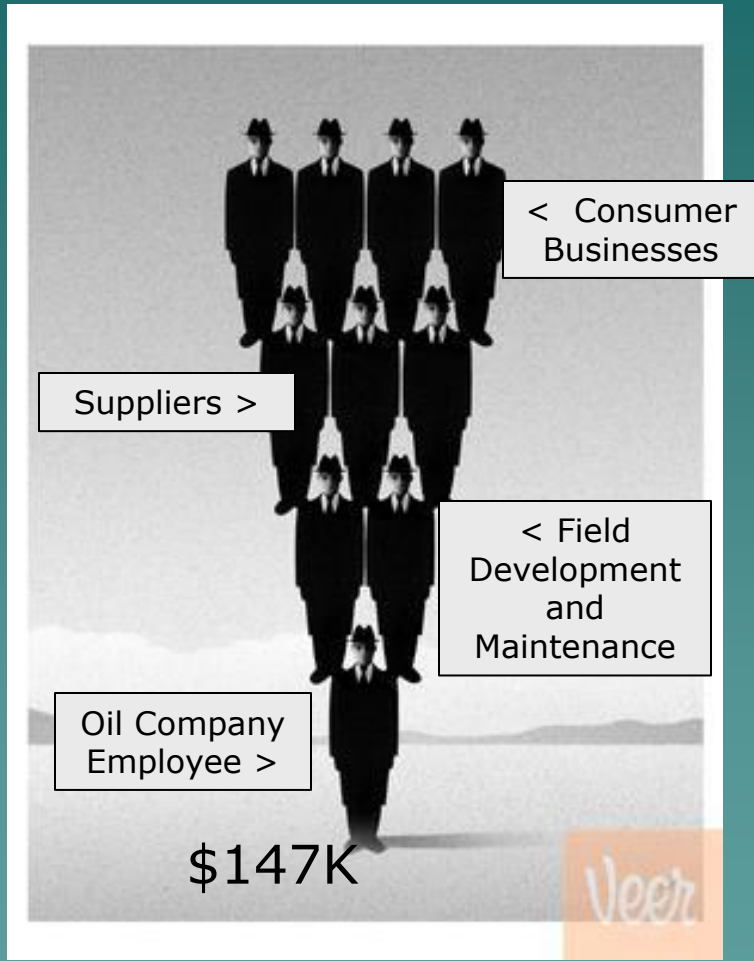
Direct Oil Patch Jobs = 4,349

* NPV @ 5% = \$827 Million

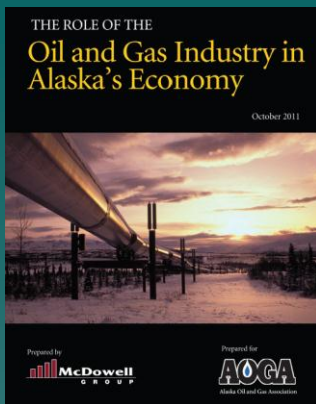
Hypothetical Field: Make Room on Graph for Other Jobs



Petroleum Job Pyramid: The Economic “MULTIPLIER”



- Advertising
- Air Carriers
- Arctic Engineering
- Arctic Gear
- Aviation Fuel
- Catering
- Communications
- Chemicals
- Hazardous Waste
- Commercial Diving
- Construction Equipment
- Project Management
- General Contractors
- Control Systems
- Corrosion Control
- Drilling
- Electrical Contracting
- Employee Services
- Environmental Engineering
- Engineering Services
- Heavy Hauling
- Expediting
- Oilfield Supplies
- Geophysical Services
- Geological Services
- Hydraulic Supply
- Industrial Gases
- Inspection Services
- Instrumentation Services
- Machining
- Logistics
- Maps
- Medical Services
- Mat Systems
- Mud
- Permitting
- Photography
- Plumbing
- Soil Stabilization
- Safety Equipment
- Rigging Supplies
- Security
- Seismic
- Steel Fabrication
- Storage Space
- Tank Fabrication
- Welding
- Vessel Charter



Petroleum “MULTIPLIER”

$$45/4=10$$

$$45/(4+8) = 4$$

$$45/(4+8+7)=2.4$$

$$2.4 = 1 + 1.4$$

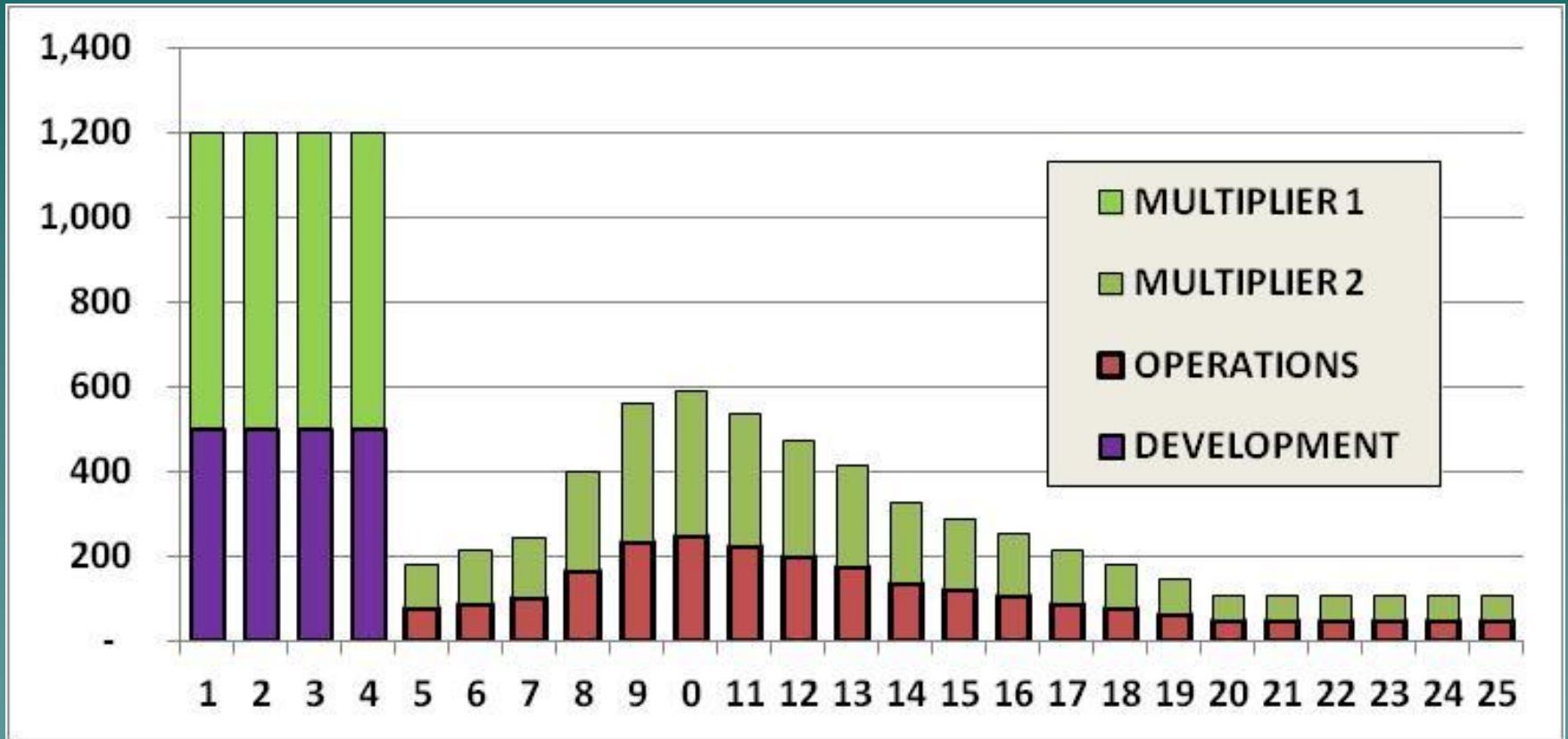
Alaska Resident Employment and Labor
Income in the Oil and Gas Industry, 2010

	Employment
Direct Impacts	
Primary Companies	3,997
Indirect Impacts	
Reported Oil & Gas Industry Support Services*	7,670
Other Support Services**	7,100
Other Indirect and Induced Impacts	
All Other Indirect and Induced	26,033
Grand Total (Direct, Indirect, and Induced)	44,800

*Includes ADOLWD Oil and Gas Support Services Sectors 213111 and 213112.

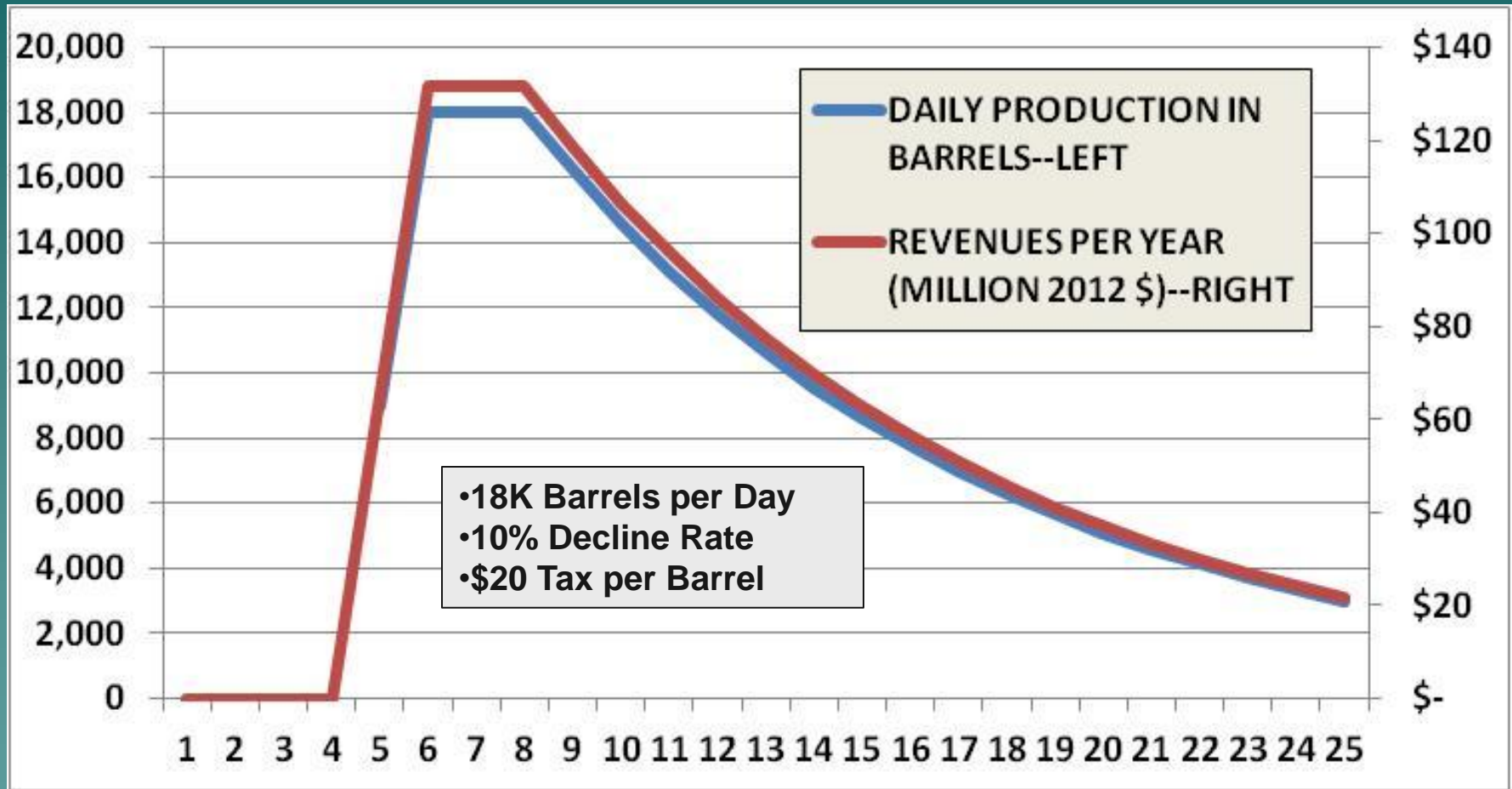
**Other Support Services includes construction, transportation services, engineering and a variety of other business and professional services provided under contract to P

New Field: Total Oil Patch Jobs

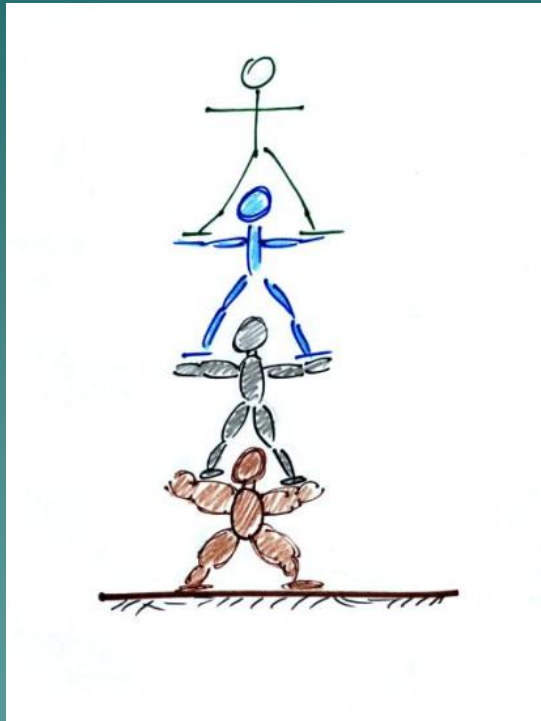


Add 6,088 for total of 10,437

Hypothetical \$1 Billion Field



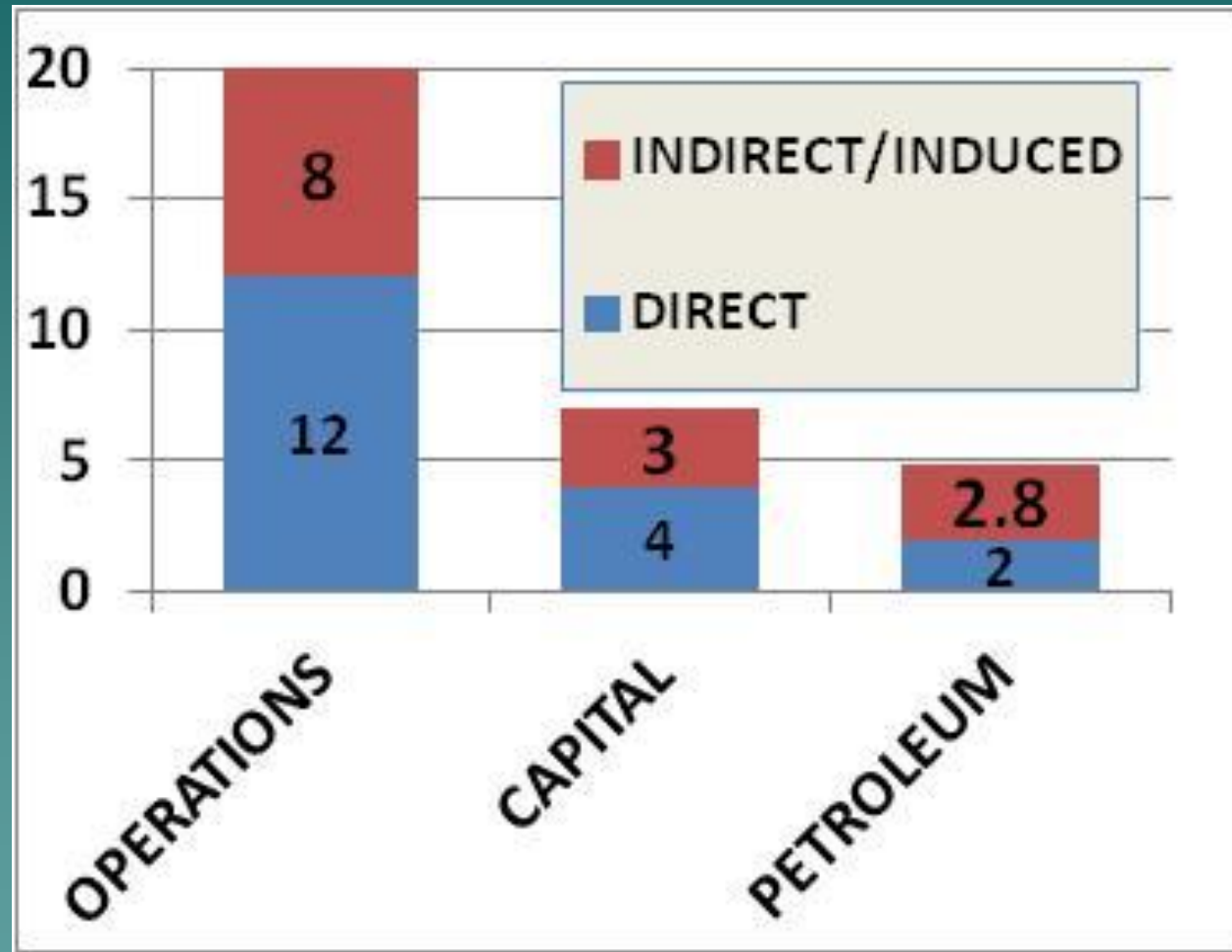
State Spending Bang per Buck & Multipliers



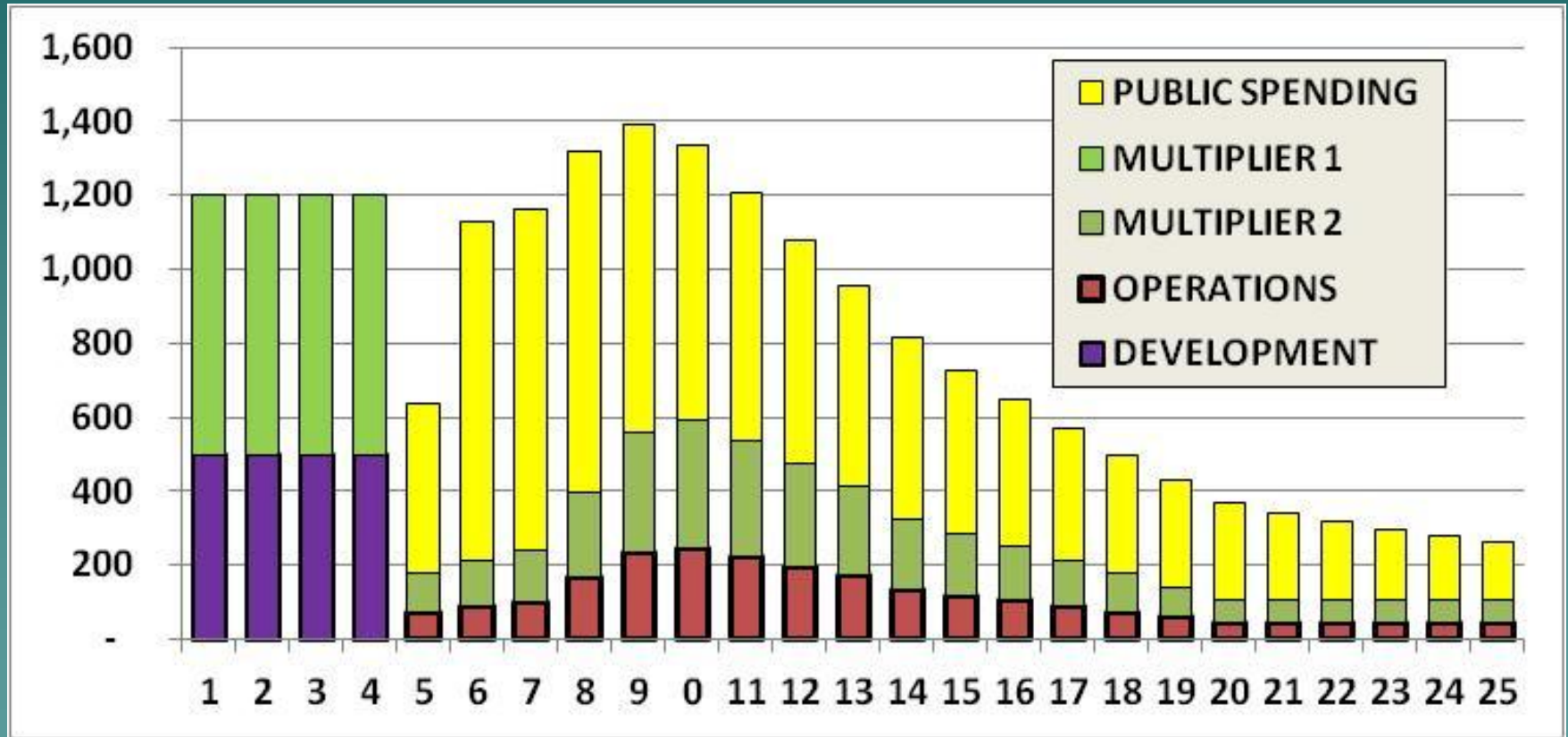
OPERATIONS
 $20/12 = 1.66$

CAPITAL
 $7/4 = 1.75$

Bang per Buck & Multipliers

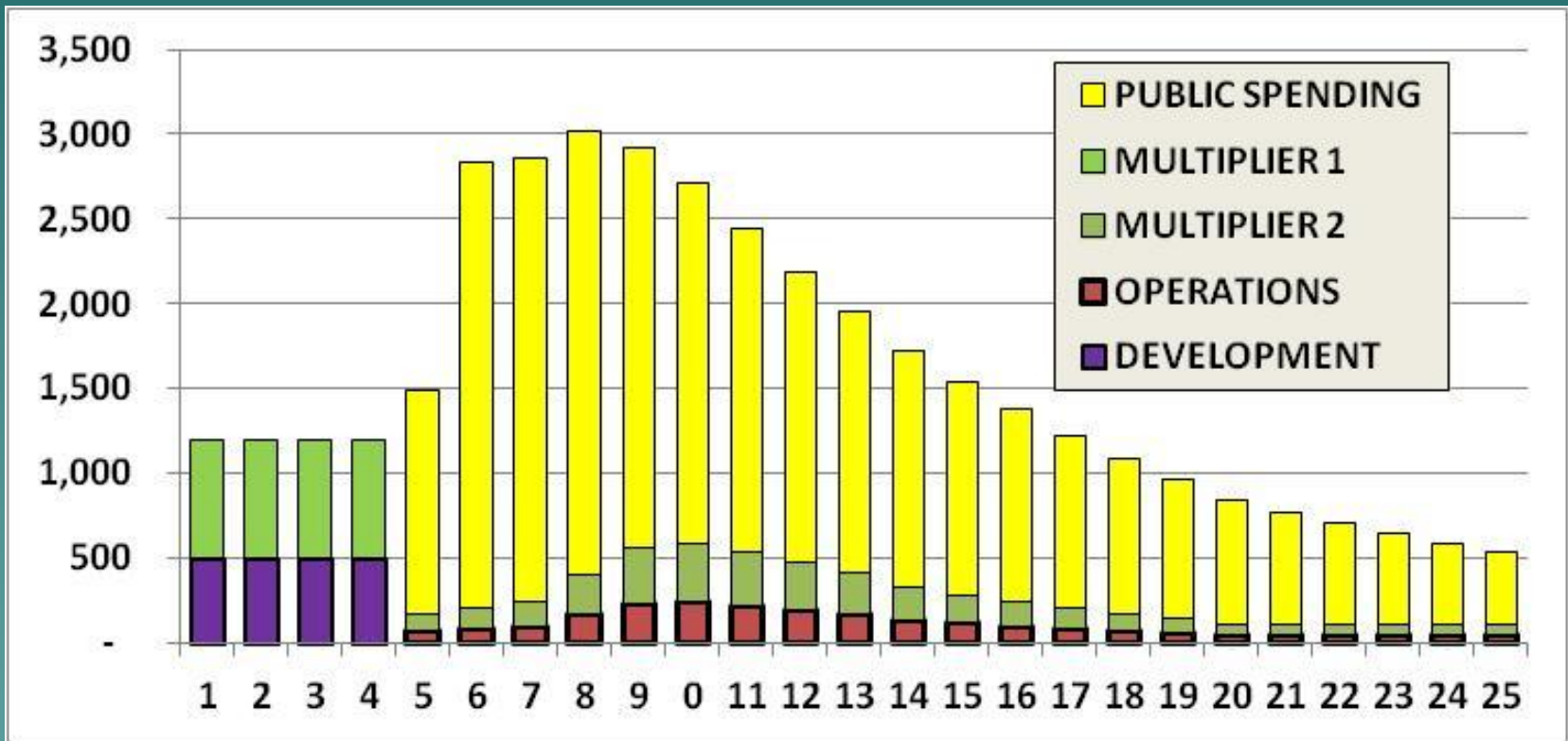


New Field: Total Jobs including Public Capital Spending



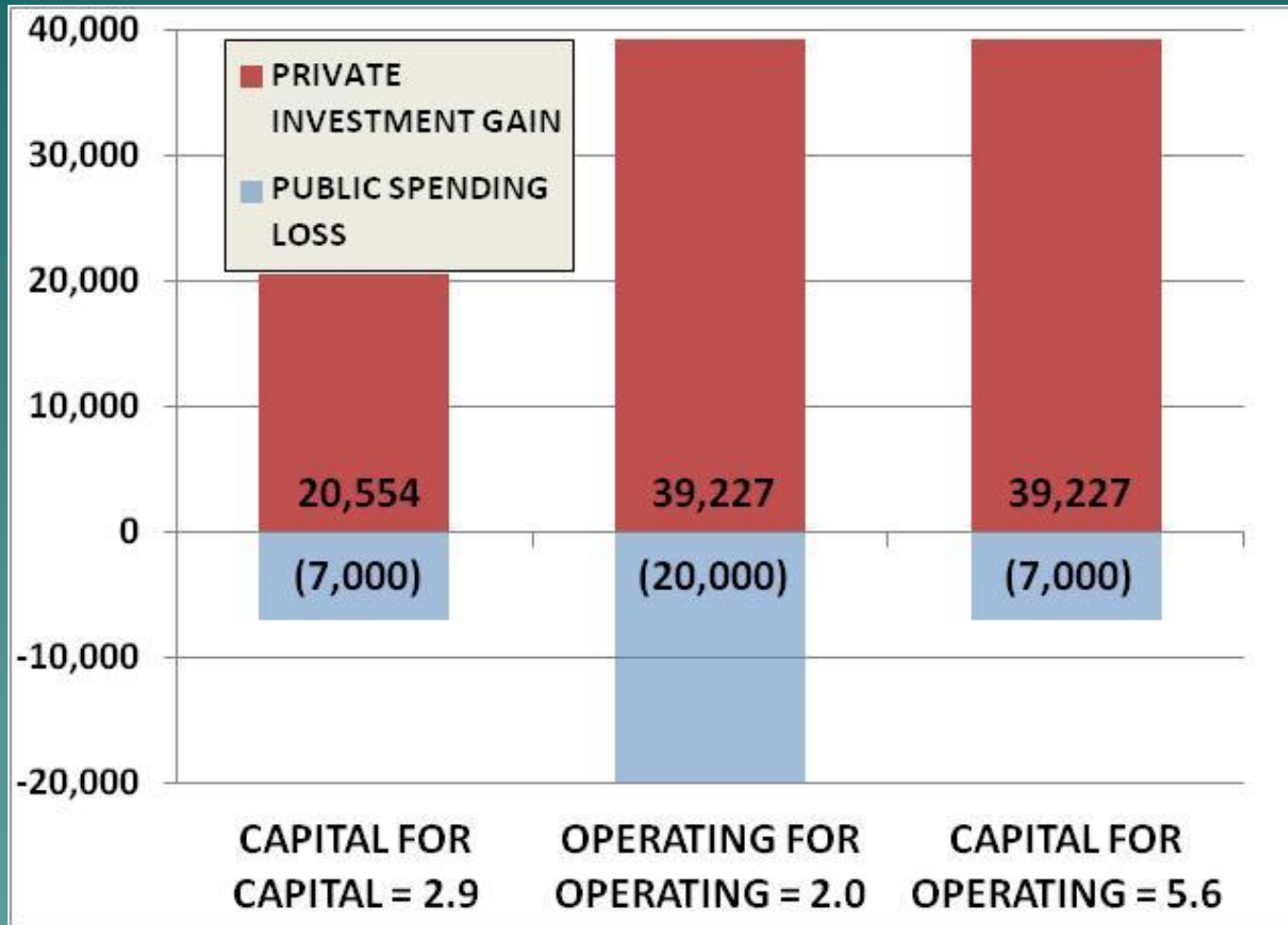
Add 10,117 for grand total of 20,554

New Field: Total Jobs including Public Operations Spending

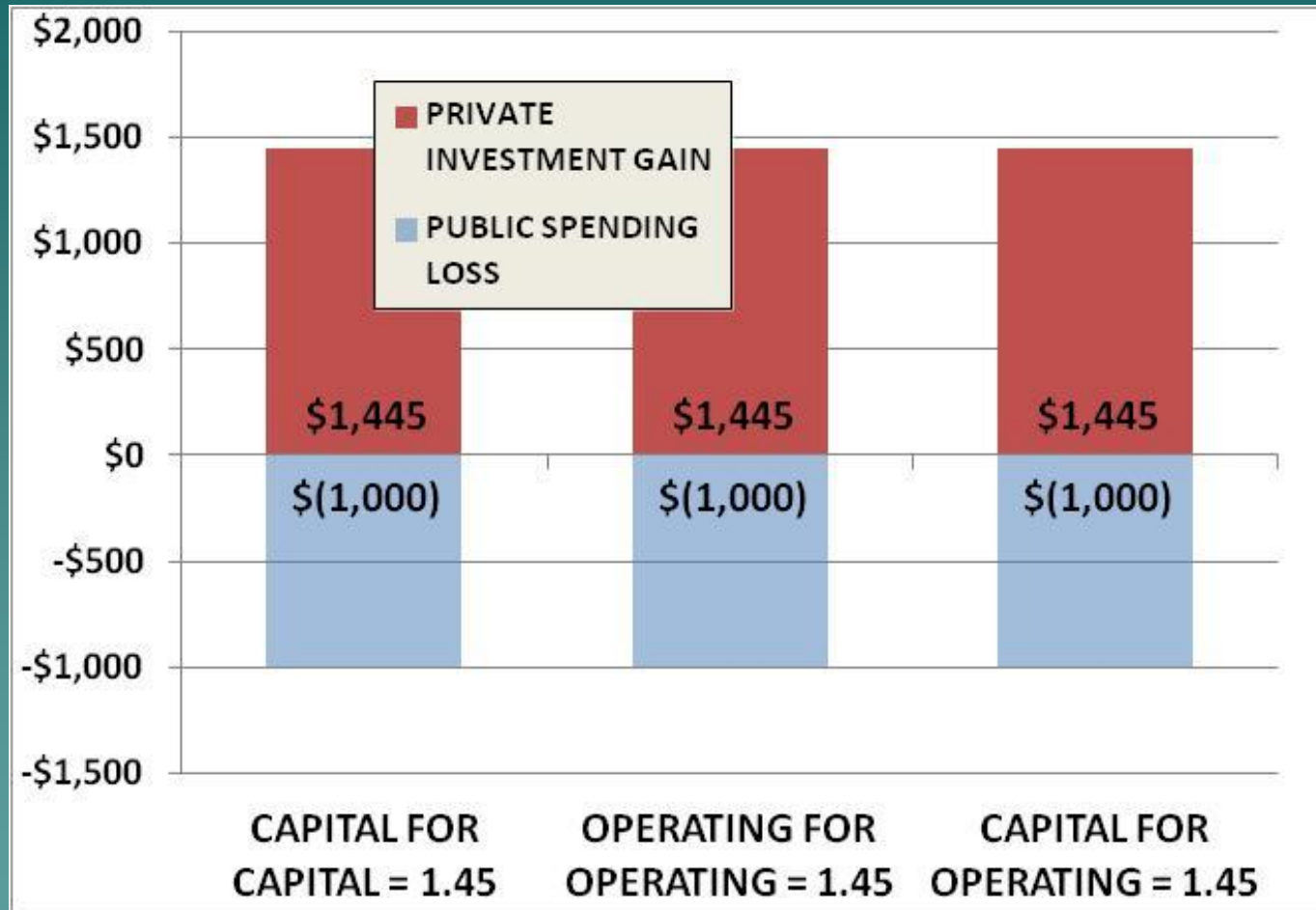


Add 28,790 for grand total of 39,227

Cumulative Jobs Generated

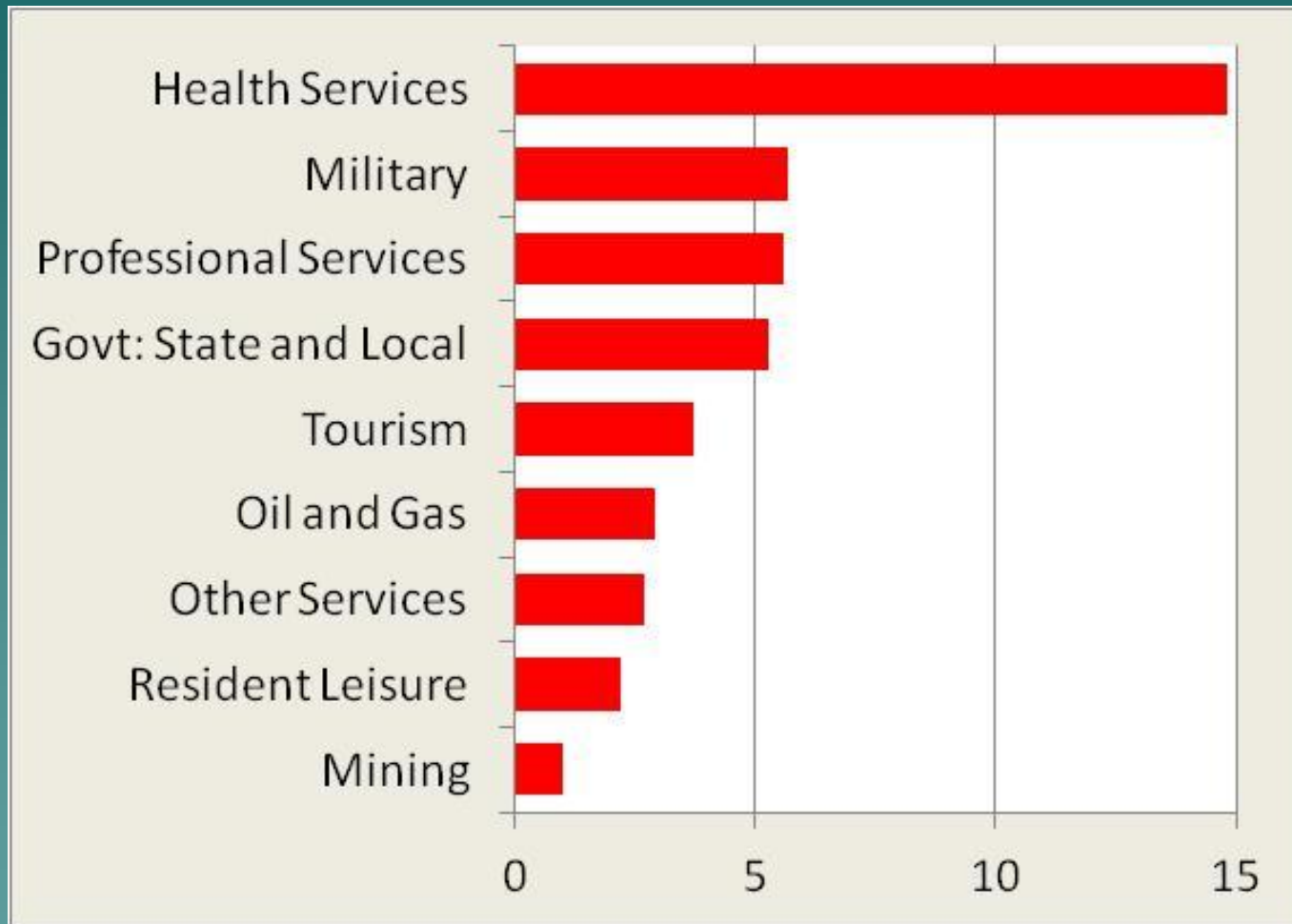


Cumulative Revenues Generated (Million 2012 \$)

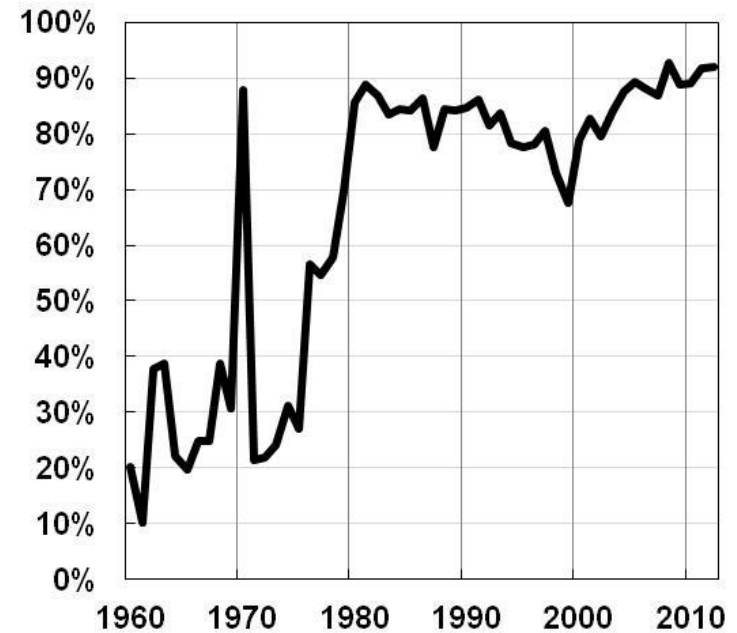
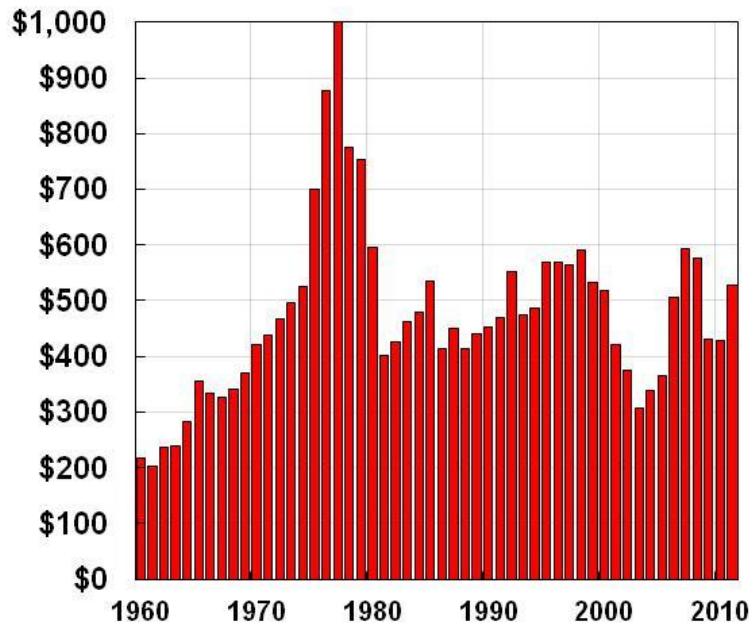


Job Growth Since 2001

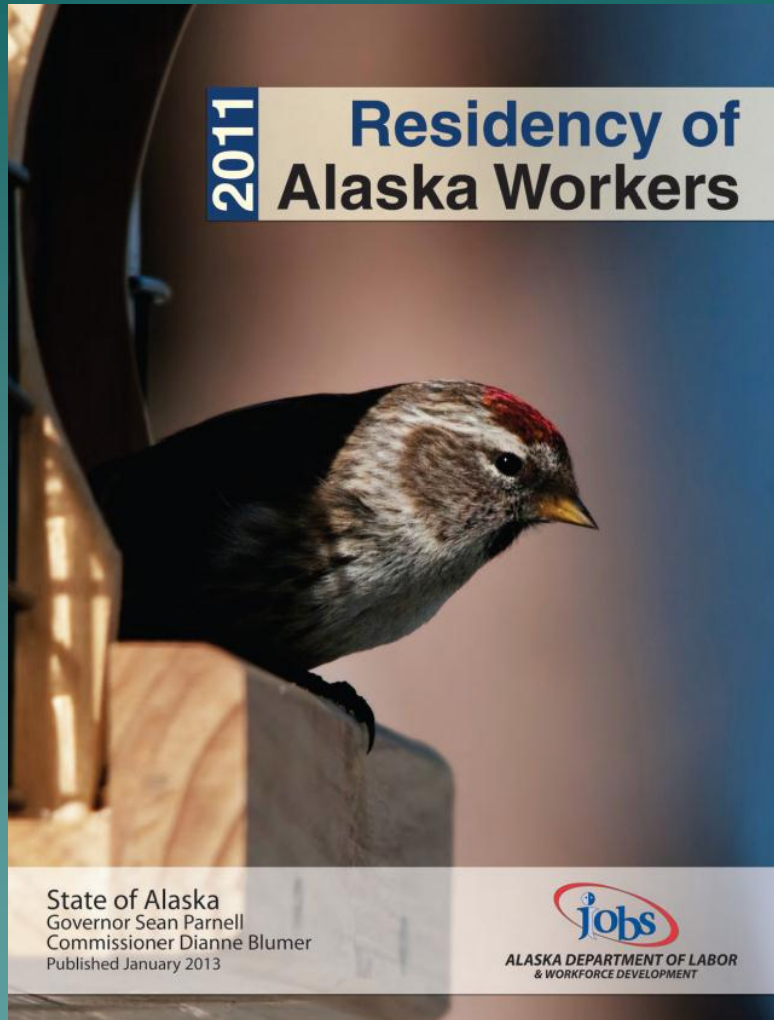
How Much Due to Govt Investment?



Progress Toward Fiscal Diversification

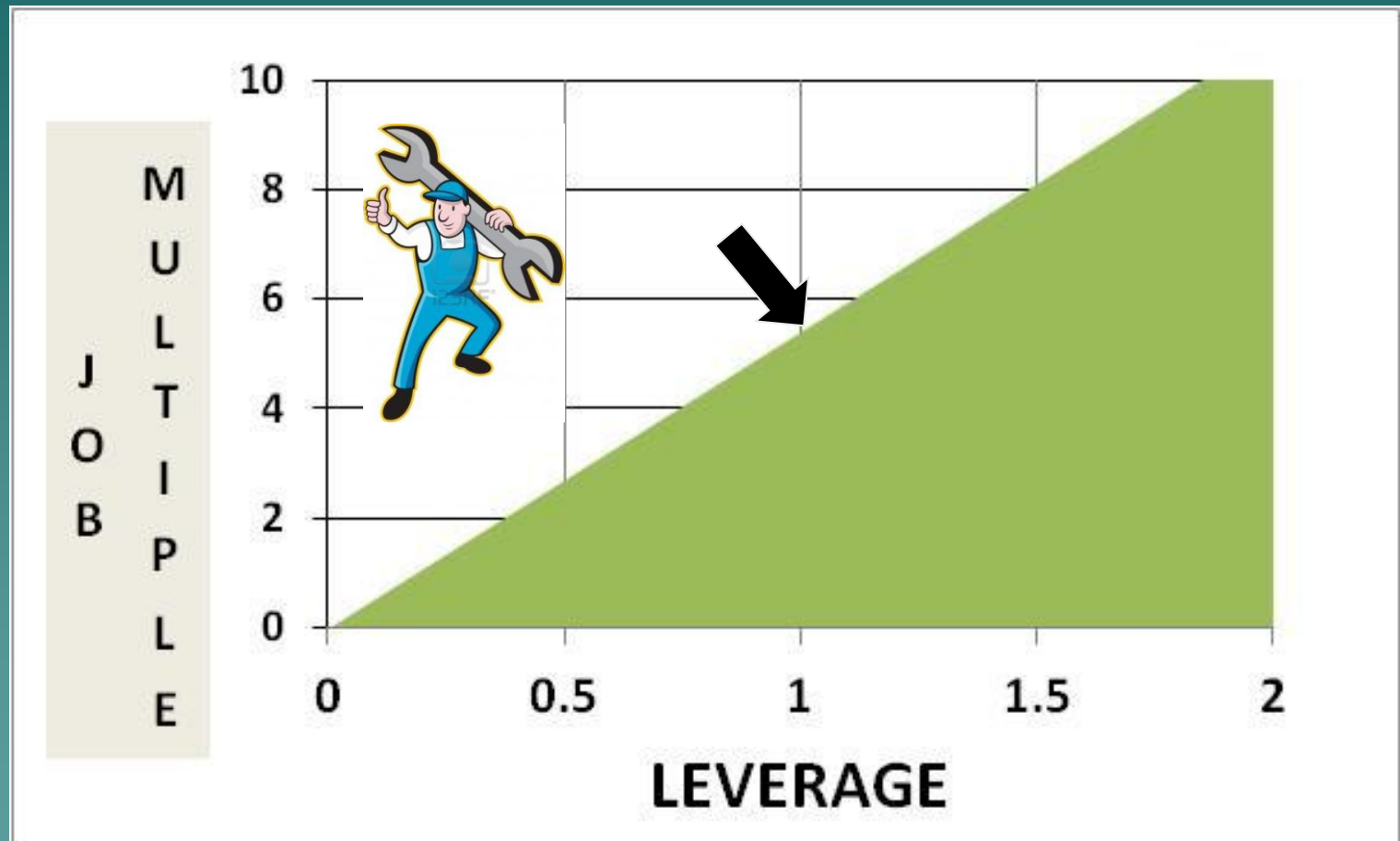


Non-Residents?

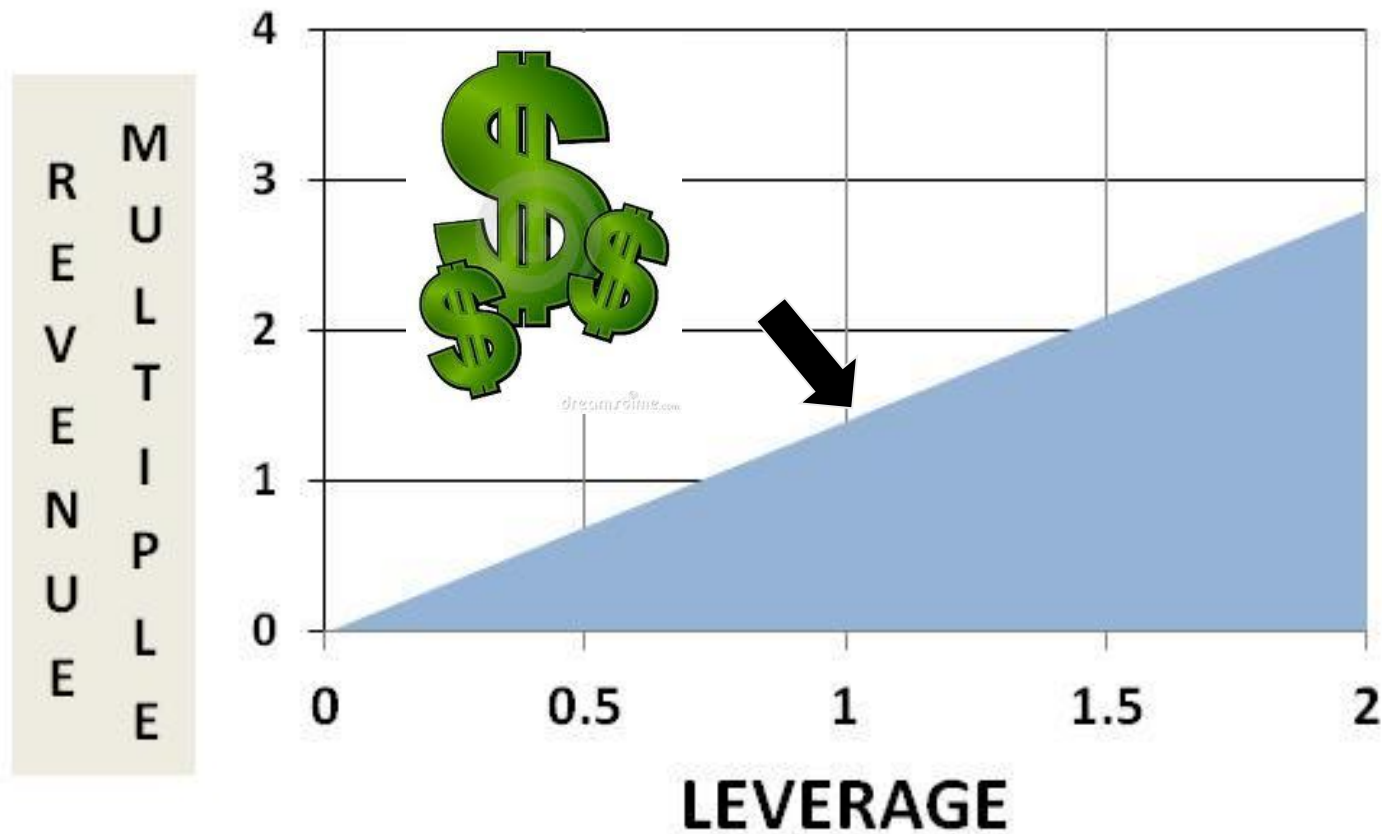


Non-Resident Worker Share	Industry
77	Seafood Processing
42	Visitor (Accommodations)
35	Metal Mining
31	OIL AND GAS
20	Construction
7	State Govt

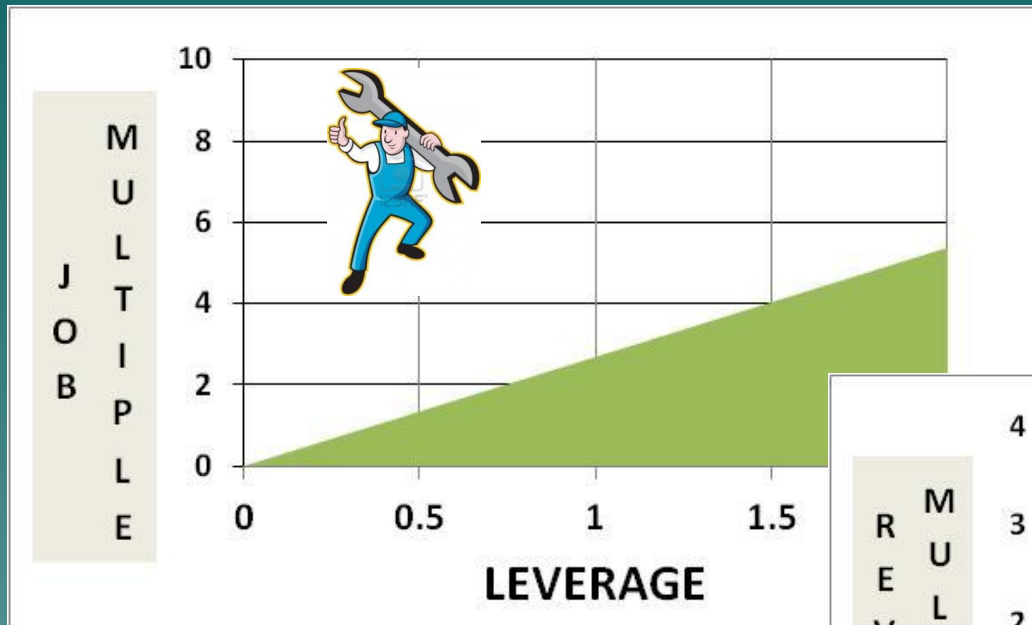
Jobs Sensitivity to “Leverage”



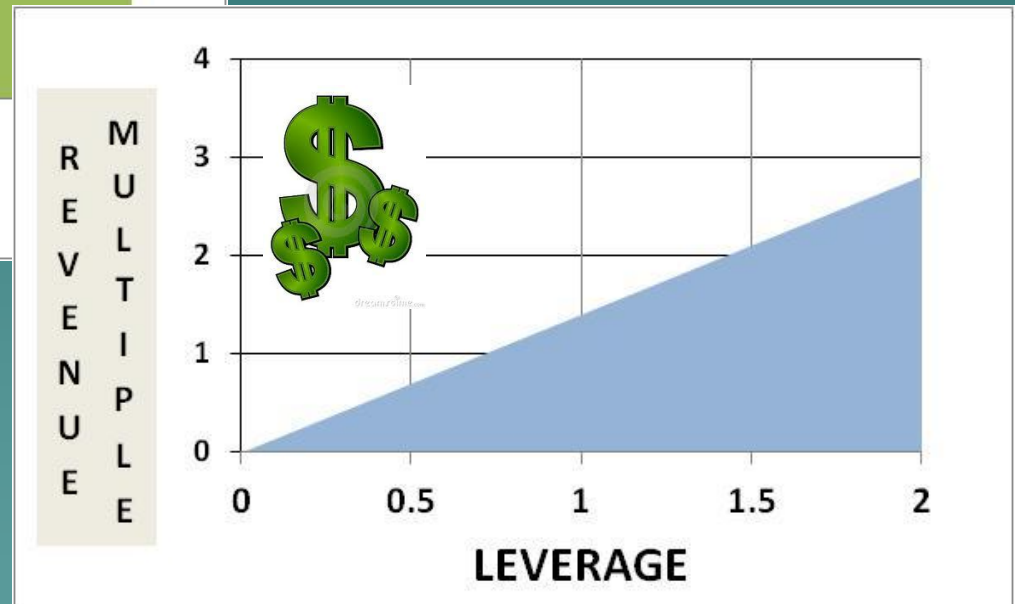
Revenues: Sensitivity to “Leverage”



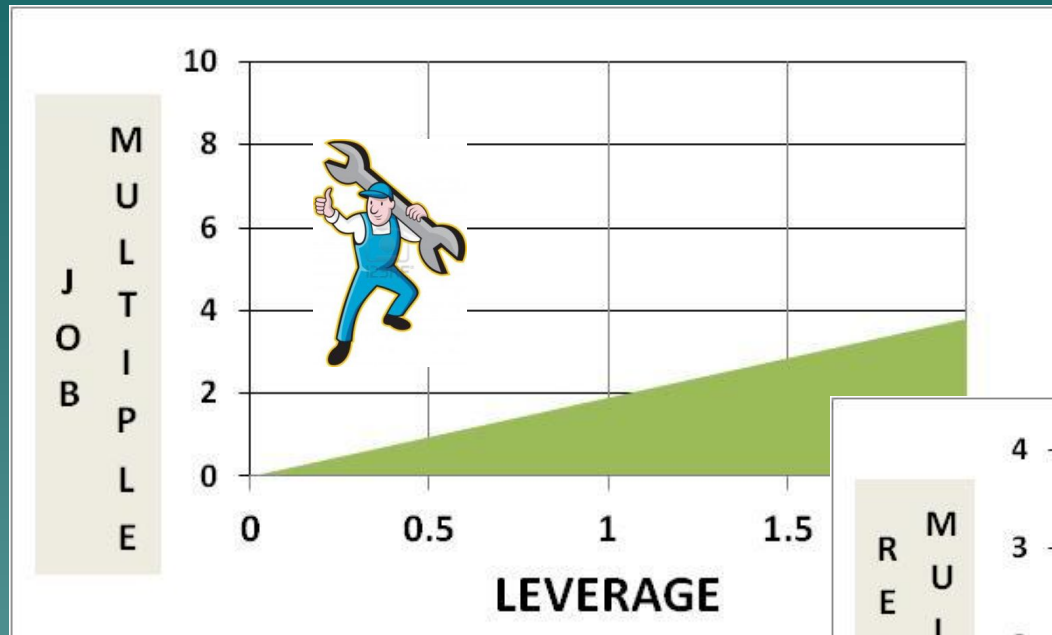
Sensitivity to Leverage



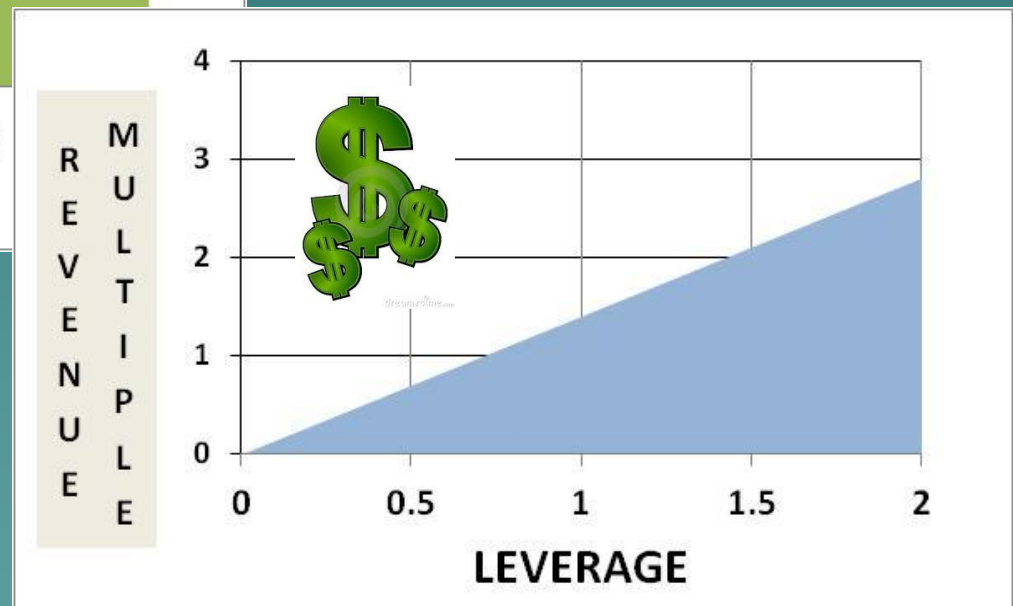
CAPITAL
SPENDING



Sensitivity to Leverage



OPERATIONS
SPENDING



State of Alaska

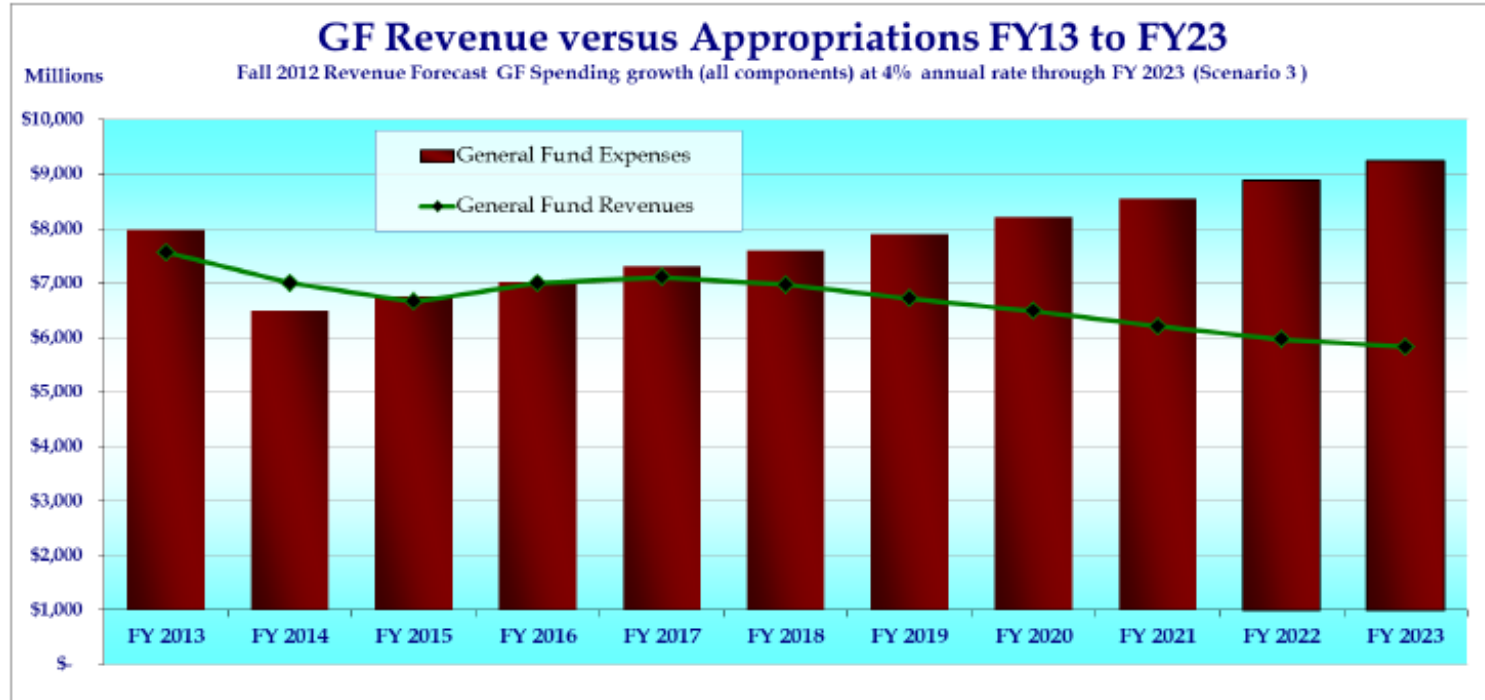
FY2014 10-Year Plan

Governor's Office of Management and Budget
Karen J. Rehfeld, Director

FY2014

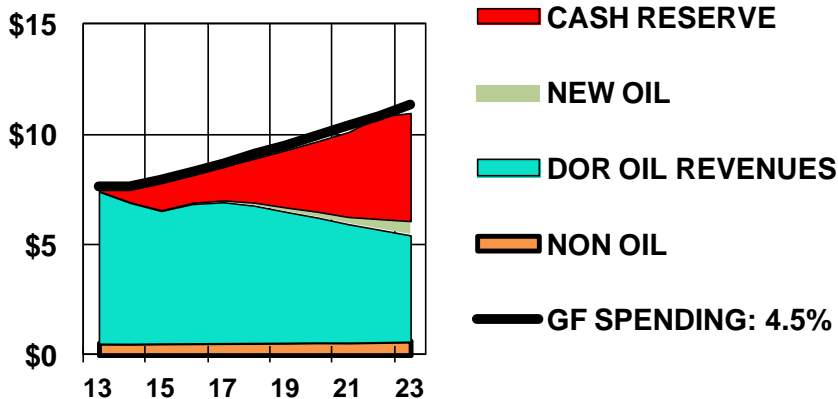
State Fiscal Plan

Scenario 3: Governor's FY2014 Budget with 4% Annual GF Expenditure Growth beginning in FY2015

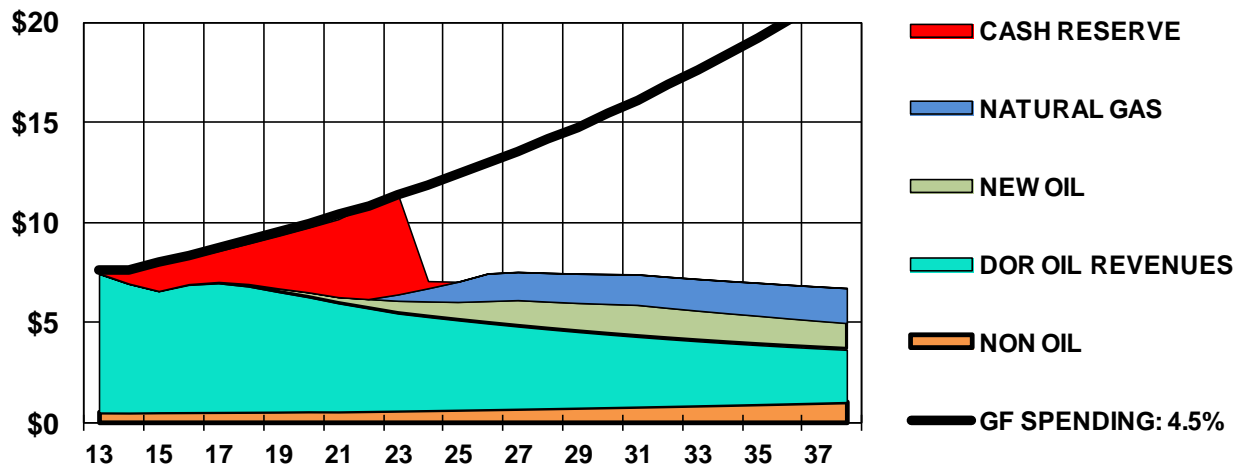


Looking Beyond 10 Years

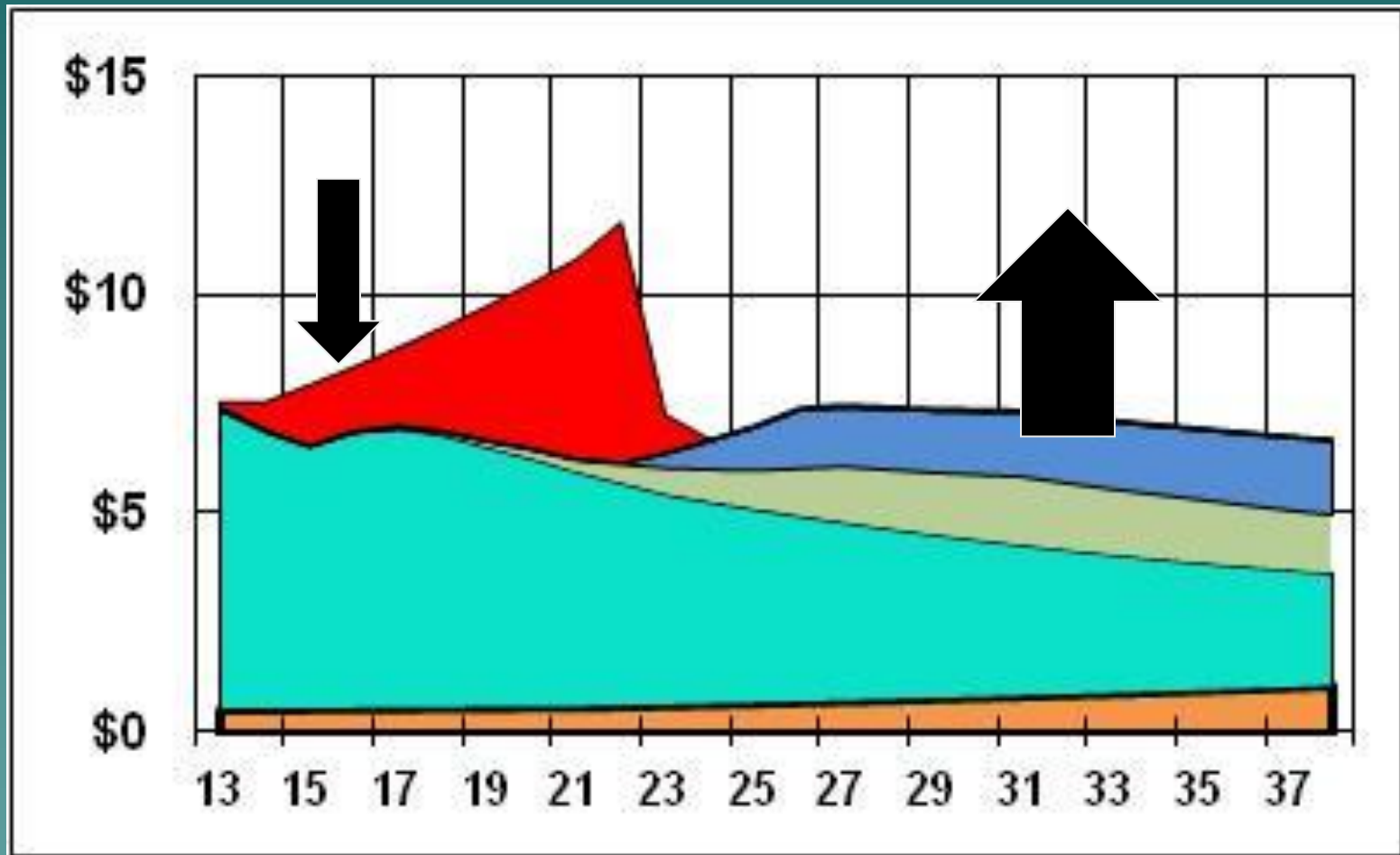
ALASKA 10-YEAR FISCAL PLAN



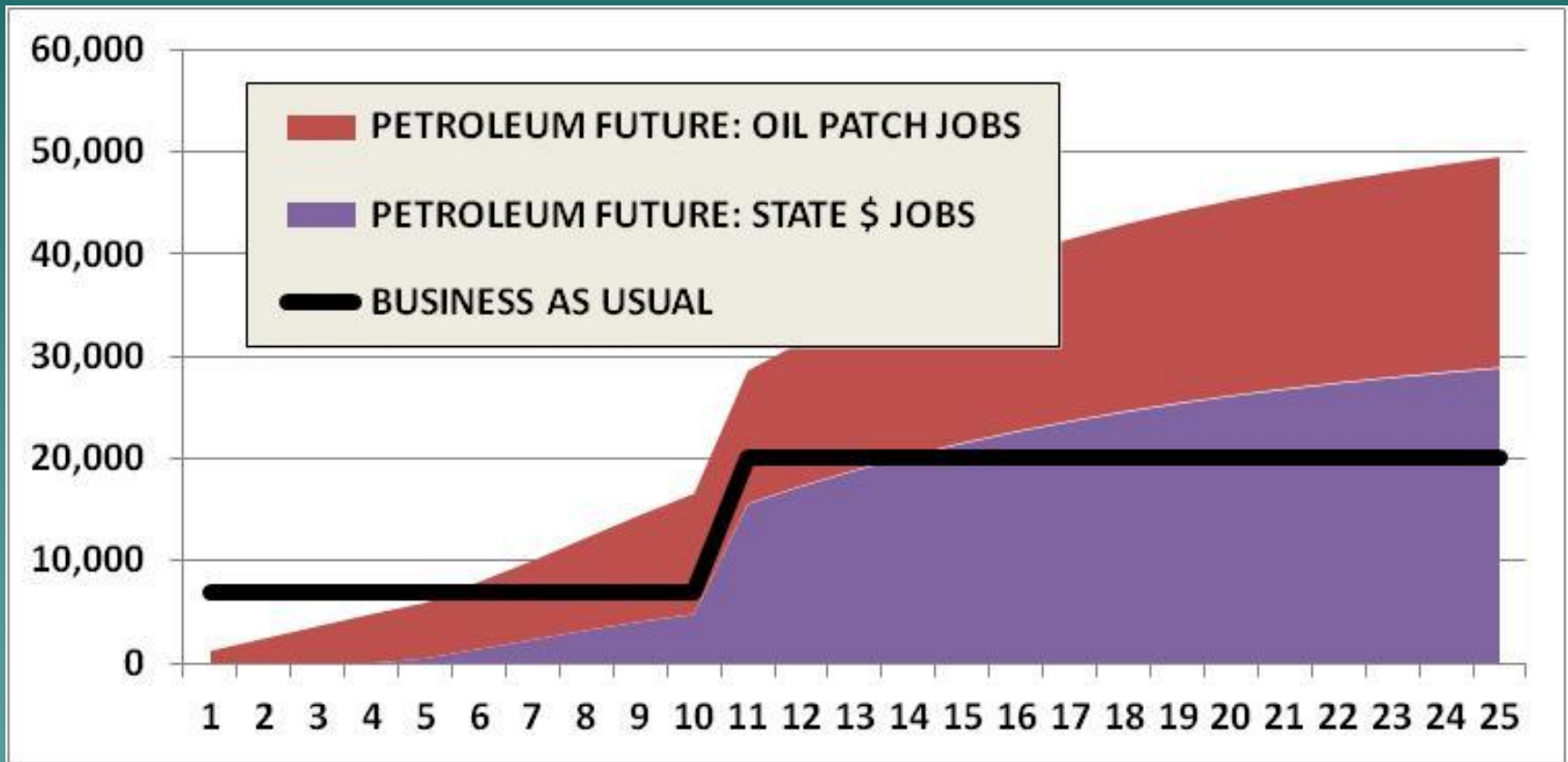
LOOKING BEYOND THE 10-YEAR HORIZON



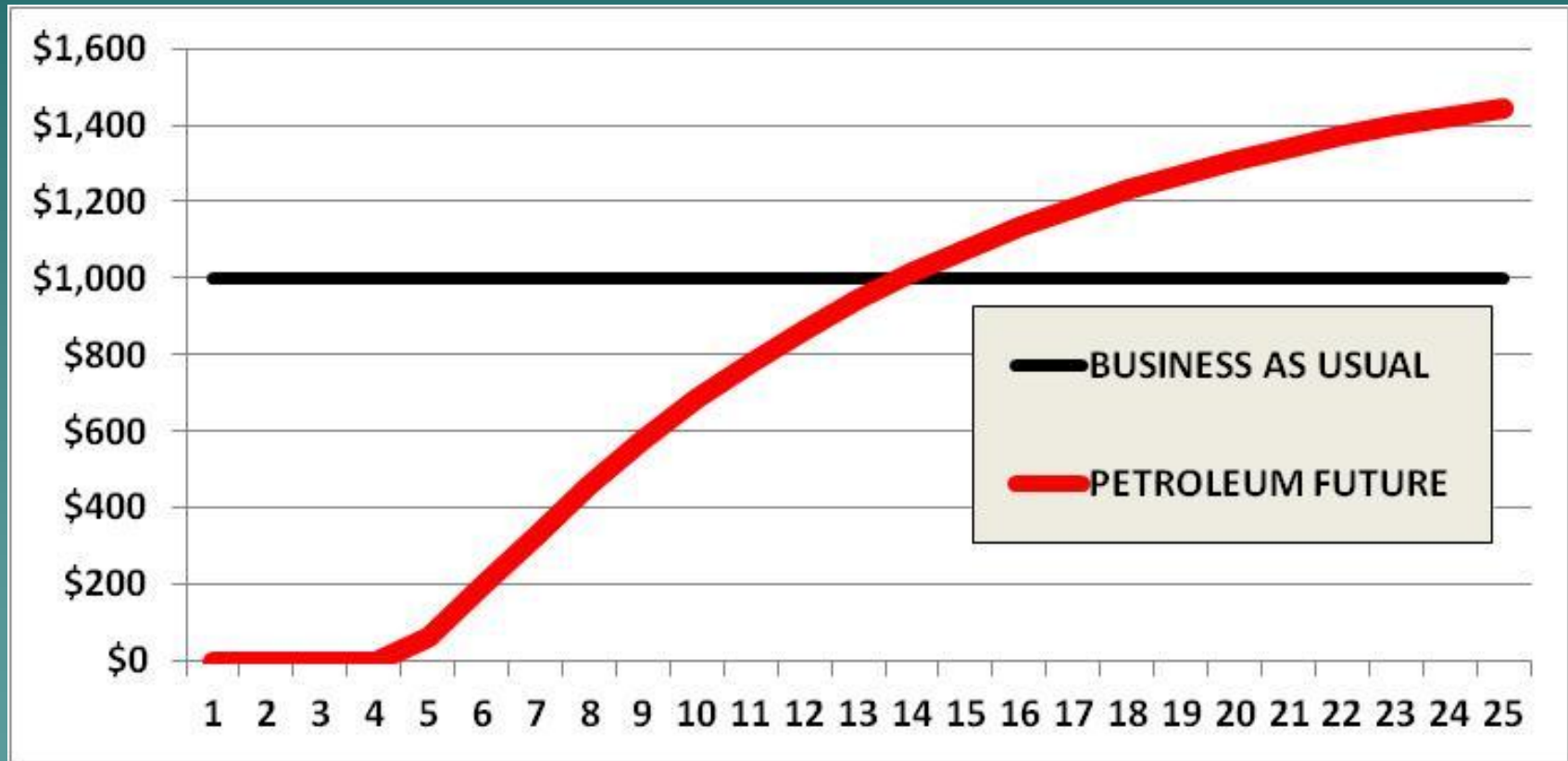
Move Towards Sustainability



Continuous Spending for 25 Years: Jobs



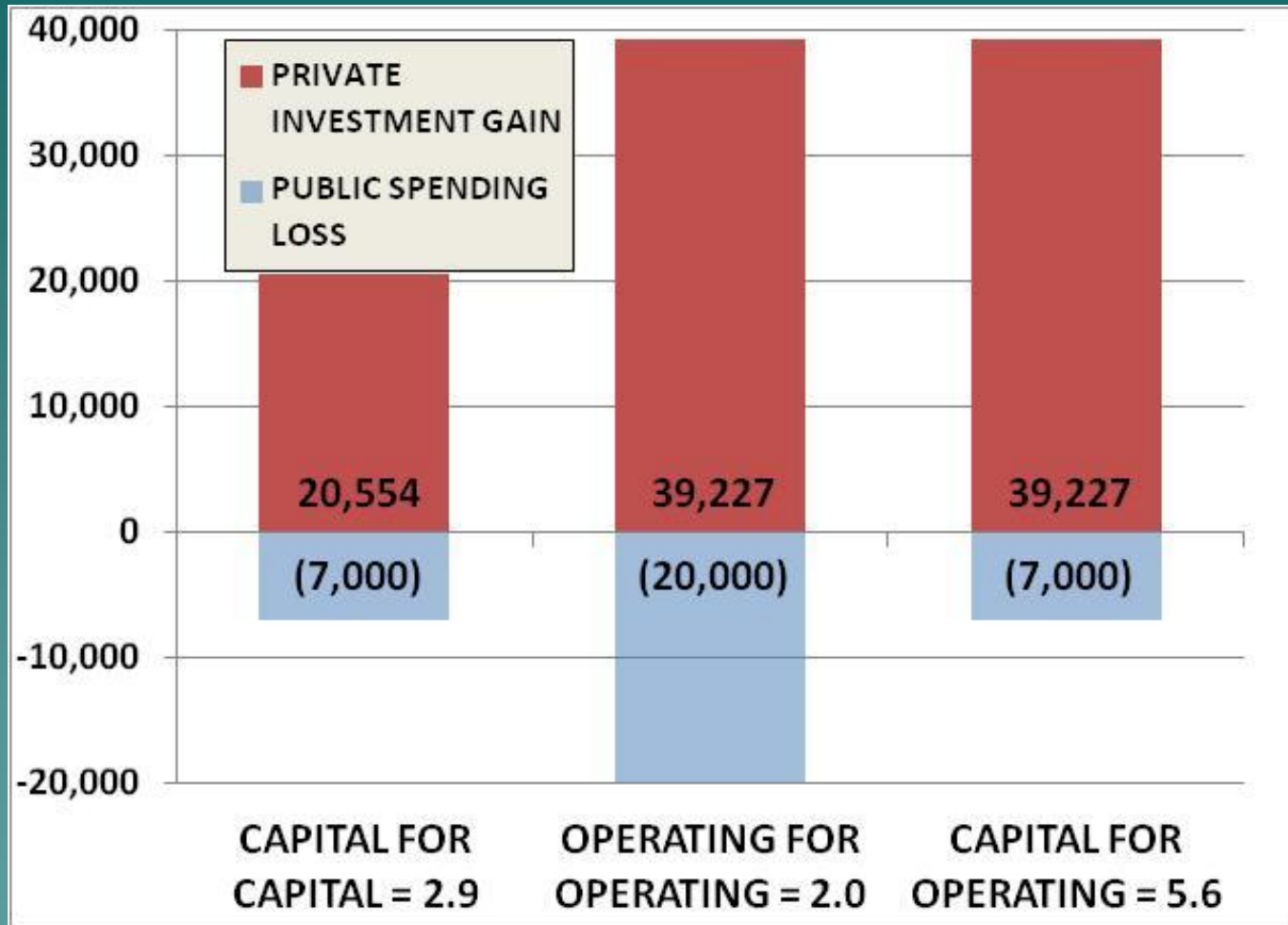
Continuous Spending for 25 Years: Revenue



Non-Petroleum Strategies for Continuing Economic Prosperity

- Natural Resource Development
 - Value Added Processing
 - Economic Diversification
 - Infrastructure Investments in Power and Transportation
 - Footloose Industry
 - Renewable Energy
- 
- A stylized, dark teal silhouette of a mountain range is positioned in the bottom right corner of the slide, partially overlapping the list of strategies.

Cumulative Jobs Generated



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