

ALASKA AFL-CIO

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VINCE BELTRAMI
Executive President



JIM DUNCAN
Secretary / Treasurer

February 24, 2016

Senator Lesil McGuire
State Capitol Room 121
Juneau AK, 99801

RE: SB 114

Dear Senator McGuire:

The Alaska AFL-CIO represents over 60,000 workers across the state working in a wide variety of jobs from nurses and state employees to electricians and flight attendants. Recently, during an Executive Council meeting our member unions unanimously passed a motion urging the Legislature to take action this session to take meaningful steps to resolve our pressing fiscal problems.

One of the key pieces of taking 'meaningful steps' would be, as part of a larger package including cuts and additional revenues, the use of a percentage of Permanent Fund Earnings to help close the gap. SB 114 is one of the bills moving through the process that contains a provision to do just that. In that vein, we are writing this letter of support for SB 114.

We are not stating that we support SB 114 over any of the other bills. We plan to extend support to any bill that contains such provisions and look forward to a lively debate on the merits of all the proposals within the Legislature.

Lastly, we would like to thank you for your service to Alaskans. Alaskans have always pulled together in difficult times. We are confident that under your leadership Alaska will rise to our challenges and work together to build a bright and prosperous future together.

Sincerely,

Vince Beltrami
President

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Commentary on SB 114 and the Concept of a Sustainable Budget:

Submitted by Frank McQueary, February 26, 2016

Senate State Affairs Committee

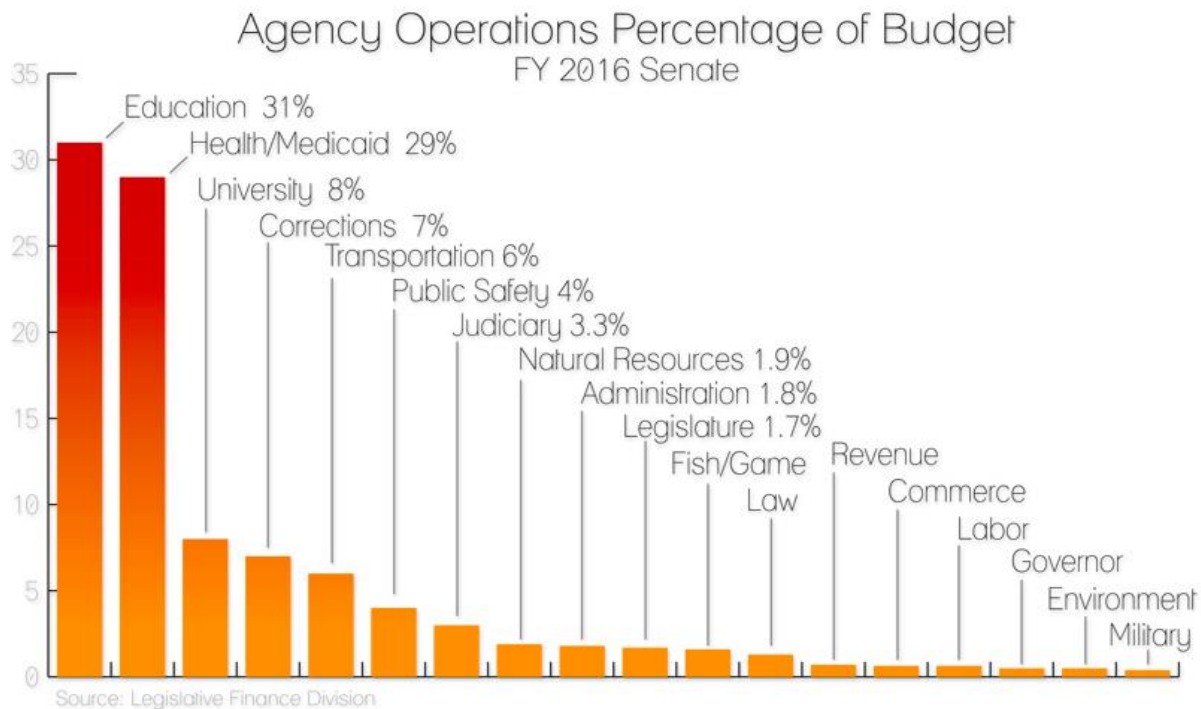
Senator Stoltze, members of the State Affairs Committee, my name is Frank McQueary. Most of you know me, but for those who don't let me briefly summarize my experience and qualifications. Currently I am an owner of a small technology company, the Vice Chair of the Alaska Republican Party and my curriculum vitae includes managing a transportation company multiple times since 1972, working as a VP of Commercial lending in 2 different Alaska banks, a stint with AIDEA in 1981 setting up the small business lending program, a number of years working for a telecommunications company as well as being in the horse boarding and training business simultaneously for 20 of those years. In my younger days, while attending college, I worked summers as a grade checker out of Laborer's Local 341.

The diversity of my experience qualifies me to share some observations with you today.

I wish to speak in favor of SB114 as part of a strategy which will help you ameliorate the economic damage which we will suffer over the next few years as a direct result of the collapse of oil prices and the slowing global economy and I will tell you why it is inherently superior to both the Governor's and Representative Hawker's bills.

The premise of what I wish to propose is that SB 114 alone will help but not solve our current crisis and without additional measures to curb the growth of government we will soon be facing additional crises.

If you will look at the graph below, prepared by your own Legislative Finance Department, you will graphically see what I propose to call "The Little Shop of Horrors: Feed me Seymour" model of government. On the left side of the graph, two of three major impediments to successfully coping with and minimizing the current crisis are very obvious. For as long as I can remember in my 25 year history of pilgrimages to Juneau, Education and Health/Medicaid expenses have been growing and compounding. A third major component of controlling the budget is buried in **all** of the departments: programmatic increases in labor costs.



With each of these three components historically growing and compounding at from 5-15 percent a year the static 2 dimensional budget analyses seen thus far are very deceptive. If your model continues the 5-15 % annual growth in these three components over a short 5 year period it becomes obvious that you will never achieve a “sustainable” budget given current revenue expectations.

Only the combination of **targetted** cuts in the areas of education, medicaid and state labor costs combined with an SB114 type of conversion of the permanent fund will both assure the continuation of permanent fund dividends and give you enough control of the budget to begin to call it sustainable.

As you grapple with these issues constantly remind yourselves that Government does not create wealth. Only the private sector and free market investments do that successfully. The easy cuts were made last year, and unfortunately virtually all capital investment was curtailed. That is the part of government spending which flows into the private sector, ideally providing jobs and the infrastructure necessary to grow our economy.

A government centric bias is inherent in the very Juneau air that you breath. The fact that in your jobs today you are totally focussed on the State budget, rather than the State’s broader economy is a testament to that bias.

When I met with the Governor last week he said he wanted to get outside of the closed loop of government and get other opinions as to how to solve our current dilemma.

What I told him, and what I will tell you, is that an opportunity has been missed. The messaging of what is happening should have been something like this: “Lifeboat Alaska, we are in this together and we will

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get through it together. We will ration our resources wisely and with scrupulous fairness. No one of us will prosper at the expense of the rest.” I told the Governor that he thinks he is captaining a cruise ship rather than a lifeboat and that he had simply moved the crew into the first class cabins and asked the rest of us to move into steerage.

Without any labor contract increases the programatic raises for merit and longevity average between 3-4% per annum. Continued wage inflation in state labor costs, continued exponential growth in Education and Health and Human Services budgets will guarantee the failure of any budget plan.

There is an old adage that “in adversity there is opportunity”.

Your opportunity now is to choose the one plan that converts the Permanent Fund into an endowment while still guaranteeing a significant flow of dividends into the private sector, shoring up the larger economy of the state, while still contributing significantly to closing the state government budget gap. That bill is SB 114.

Why is SB 114 superior to both the Governor’s plan and Representative Hawker’s bill? It is simple two step logic:

1. It guarantees that more dollars are dedicated to dividends, hence leaving a larger gap to close in the budget. What I am proposing is that you do not take the easy way out by taking most of the dividend to fill the gap. This means that you will have to attack the real structural budgetary issue of unrestrained growth in education, health and labor costs. Both the Governor and Hawker’s approaches open the door to eventually taking all of the earnings without solving the problem.
2. SB 114 is more palatable to the public. It signals that you are not trying to solve the gap at their expense while protecting the vested interests of the bureaucracy.

Your real mission is to harness the cancerous growth of Education, Health and Labor costs within state government. As long as you ignore this rapidly growing segment of the budget you will never resolve the budget issue or “right size” government.

IF our education was improving commensurately with its increasing costs and **IF** access to health care was better and less costly, we would have no room to complain. But neither education nor health care access has improved with ever more costly programs. In fact the opposite has happened. When I graduated from East Anchorage High School in 1963, Alaska schools were considered to be among the best in the nation. Now we rank near the bottom. When Governor Walker pushed Medicaid expansion the premise was that more Alaskans would have better access to more affordable health care. Our Medicaid plan has 17 optional “Cadillac” services which are provided at no cost to the very poor. Meanwhile the not so poor have been saddled with large monthly premiums for insurance and have seen their deductibles rise to the point where for all practical purposes they only have major medical coverage. Deductibles of \$5000 to \$9000 are becoming common as more and more people are forced into the world of Obamacare.

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Governor Walker has been aiding and abetting this economically and socially destructive transition and it is time for you as our elected representatives to show courage in correcting the course of government.

1. Cut and Reform Education
2. Cut and Reform Health Systems
3. Remove automatic increases from state employee contracts and ask them to share the pain
4. Pass SB 114.

And remember that unallocated cuts will simply allow bureaucracy to punish both you and the public.

While it is not my intent to get too far into the weeds, I cannot resist making two points: The immediate fiscal problem may not be as critical as alarmists make it out to be: e.g., correcting the overprovisioning for inflation in the permanent fund would free up an additional \$900,000,000 towards this years deficit...

And there are pockets of privilege in State government that need to be rooted out now. One of the more egregious examples being the highly compensated and underworked line haul ferries. Transportation subsidies for highways are calculated in the range of cents per vehicle mile travelled. The subsidy for Alaska Marine Highway line haul ferries is in excess of \$10.00 per vehicle mile travelled. Five years ago the overall subsidy was over \$120,000,000.00 (yes that is millions). That level of subsidy is indefensible and is nothing more than an invincible barrier to competition from the private sector handling the longer runs.

Thank you Mr. Chairman and Members, if you have any additional questions or want more detail or documentation please feel free to contact me at : fmcqueary@gci.net or call me at 907-223-7528.

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4. SB 114 is more palatable to the public. It signals that you are not trying to solve the gap at their expense while protecting the vested interests of the bureaucracy.

Daniel George

From: Sen. Bill Stoltze
Sent: Tuesday, February 16, 2016 8:31 PM
To: Senate State Affairs
Subject: FW: Testimony SB114
Attachments: anch90.pdf

Follow Up Flag: Follow up
Flag Status: Completed

From: David Nees [mailto:davidneesak@gmail.com]
Sent: Tuesday, February 16, 2016 7:14 PM
To: Sen. Bill Stoltze <Sen.Bill.Stoltze@akleg.gov>
Subject: Testimony SB114

ISER report ten years ago. Page 8 low income residents

Anchorage At 90: Changing Fast, With More to Come

June 2005

UA Research Summary No. 4

Institute of Social and Economic Research • University of Alaska Anchorage

By Scott Goldsmith,

Lance Howe, and Linda Leask



It was in 1915 that the federal government sold the first lots for the new town of Anchorage, at the head of Cook Inlet—and 90 years later, the city's people, economy, and place in the state are changing faster than many Alaskans realize.

Anchorage began as a boom town, headquarters for construction of the Alaska Railroad. It's seen many ups and downs since. But after 35 years of growth triggered by oil development—and boosted lately by an infusion of

federal money—the city has grown to 277,000 and its economy is bigger, broader, and more dominant statewide.

Despite that growth, the city still depends on resource development and state and federal spending (including military spending). It's still subject to forces beyond its control, chiefly oil prices and production and federal and state policies affecting the flow of money into the economy. As long as Alaska prospers—and that depends a lot on how the state deals with its long-term fiscal problems—Anchorage will prosper.

So how does the city look at 90? Today it reflects—in fact, magnifies—three population trends that analysts say will be powerful influences nationwide in the future: (1) a growing number of young, diverse minority residents; (2) a large number of affluent baby boomers on the cusp of retirement; (3) a growing older population. We have a rare chance to look at those and other changes, with sample data now available from the 2000 U.S. census (see back page). Our findings include:

- **Anchorage offers opportunities for immigrants**, especially from the Pacific Islands, the Philippines, and Mexico; those places accounted for a third of international immigrants in the late 1990s. Continuing immigration is reflected in a 26% increase in Permanent Fund dividend applications from non-citizen residents between 1995 and 2004.

- **The city is becoming more diverse, with fast growth among minorities** and slow growth in the majority white population. And because minorities are concentrated in younger age groups, minority children are approaching the majority in Anchorage schools, up from 26% in 1990 to 44% in 2004.

- **Alaska Natives remain the largest minority, and their numbers are growing** as many leave villages for jobs in the city—especially working-age Native women, who hold more jobs than Native men and who increased their earnings even as those of men fell.

- **Anchorage's population is aging, despite the young age among minorities, because the city has so many aging baby boomers.** Anchorage has more boomers than almost any place else, and they are the city's most affluent and best-educated group. What they decide to do when they retire will have big effects on the future composition of the population, the demand for housing and health care, and much more.

- **The city's over-65 population is already growing at five times** the U.S. average, even before the baby boomers hit retirement age. Having more older residents can help stabilize the economy, because many have relatively high incomes that don't depend on local jobs.

- **Anchorage's population has become more stable, but there's still a lot of movement into and out of the city.** In 2000, 25% of those who had been residents in 1995 were gone. The likeliest people to leave were white residents, middle-aged people, and families.

- **Fast growth in the nearby Mat-Su Borough is making Anchorage more like other U.S. cities**, where the population of the core city is considerably different from that in the surrounding areas. The borough population is less racially diverse and more concentrated among families with children—many of whom moved from Anchorage.

- **The city remains near the top in U.S. household income, even though two thirds of the new jobs in the 1990s paid just \$20,000 to \$40,000** per year and the city lost more than 1,600 jobs that paid \$60,000 to \$120,000. Household income remains up because average wages are still higher; non-wage income is growing; and the share of working adults—especially women—is bigger than it is nationwide.

- **The rich aren't quite so much richer than the poor in Anchorage as they are nationwide**—thanks to Permanent Fund dividends, lack of super-rich residents, and a growing economy. Nevertheless, there is a lot of poverty and near-poverty among those at the bottom rung of the economic ladder—concentrated among minorities, single mothers, old people living alone, and young people without much education.

These and other changing economic and demographic conditions in Anchorage have implications far beyond what we can examine here. But throughout this paper, and in a brief conclusion, we'll at least point out some of the questions our findings raise, to help city residents and other Alaskans can think about the challenges the future will bring.

OVERVIEW

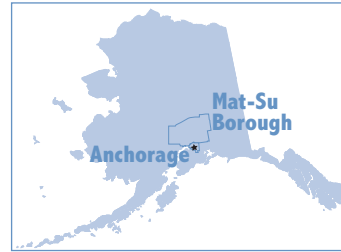
This publication looks at changes in the circumstances of Anchorage's civilian population, mostly since 1990. Military personnel and their families have been an essential part of the community since World War II—and the city's military bases are a critical source of community jobs. But unlike civilians, military personnel and their families come and go at the direction of the military. Looking just at civilians—who move in or out for personal reasons—gives a clearer picture of fundamental demographic change in the city.

Anchorage's civilian population stood at about 255,000 in 2004, and military households brought the city total to 277,000, or about 42% of Alaska's population of 655,000. The city population might have climbed higher, close to 300,000, if not for the growing shift of people—mostly families with children—to the nearby Mat-Su Borough.

With thousands living in the borough but working in Anchorage, ties between the two are growing, and the combined Anchorage/Mat-Su region increasingly dominates the state economy. The region has more than half of all jobs statewide; that share is expected to keep growing.

Anchorage has been Alaska's largest city since the military build-up during World War II. But it was state oil wealth, beginning in the late 1970s, that fueled unprecedented growth. With the state government spending billions in the economy, trade and service jobs mushroomed and the city was transformed into the support center for much of the state. It also has military bases, concentrations of government workers, headquarters for the oil industry, and growing tourism, health care, and air cargo industries. The economy has become broader and more diversified.

But despite that diversification, it is oil development, state oil wealth, and federal spending that are at the heart of the city's economy. And all those factors are beyond Anchorage's control, leaving the city still vulnerable to sudden ups or downs.



Anchorage's population has always been among the country's most transient, waxing and waning with job growth. It's still a mobile population—in 2000, one in five residents was a recent arrival—but less so than it used to be.

In the 1990s there were no big booms or busts, and population and jobs in the city grew slowly but steadily. Most of those jobs were in lower-paying trade and service industries. At the same time, the city lost hundreds of high-paying jobs in the oil industry, as North Slope oil production declined. Toward the end of the decade, fast growth in the U.S. economy pulled people out of Anchorage, as we'll see on pages 4 and 5.

But since about 2000, increased federal spending for projects and programs has helped boost job growth. Higher-paying jobs in construction and health care have led recent job growth. Also, the U.S. economy slowed in 2001 and 2002. Those changes once again drew more people to Anchorage; the Alaska Department of Labor estimates that half the civilian population growth from 2000 to 2003 was due to more people arriving.

Anchorage/Mat-Su Jobs as Share of Alaska Total

1980 - 48% (81,438 jobs)
2000 - 51% (143,243 jobs)
2020 - 54% (185,700 jobs)

Sources: Alaska Department of Labor and ISER projections

Anchorage Population 1980-2004

	In Civilian Households ^a	In Military Households ^b
1980	147,240	27,191
1990	199,893	26,445
2000	238,294	21,989
2004 ^c	255,364	22,134

^aIncludes people in non-military group quarters.

^bEstimated active-duty personnel and their families.

^cAlaska Department of Labor estimate of total 2004 population.

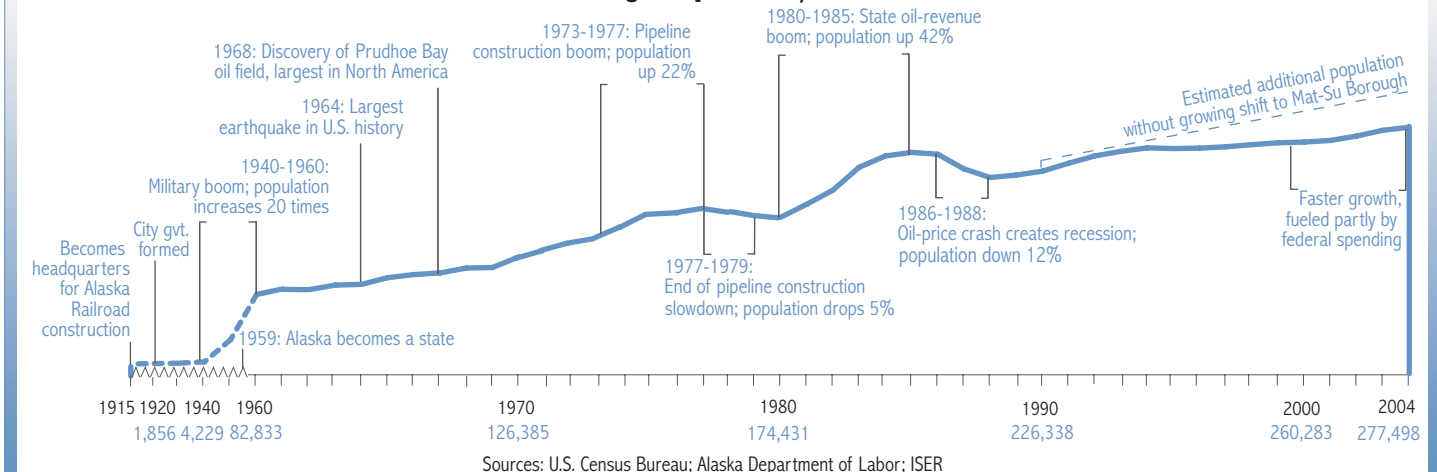
^dNumber of people arriving minus number leaving.

Sources: U.S. Bureau of the Census and Alaska Department of Labor

Components of Population Growth

	Net Migration ^d	Natural Increase
1970-80	31,181	22,250
1980-90	21,492	32,029
1990-00	5,892	29,670
2000-03	7,065	7,627

Anchorage Population, 1915- 2004



A big draw of Anchorage has historically been higher incomes—and household incomes and average wages remain higher, but less so than they used to be. (But on the flip side, the city's historically high living costs also aren't as much above the U.S. average as they used to be.) However, as we'll see, high household incomes aren't universal—especially among minority groups—and growing numbers of workers are clustered at the low end of the pay range.

The economic changes of recent decades are reflected in the population. Baby boomers—the generation born after World War II—are a huge group nationwide, but even bigger in Anchorage, because so many came to the city as young adults during the economic booms of the 1970s and 1980s. The big questions are how long they'll keep working and whether they'll stay in the city when they retire (see page 15).

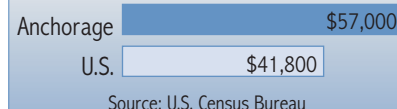
A much smaller but growing group is made up of those already over 65—their numbers have quadrupled since 1980, and that growth could accelerate sharply as baby boomers age. Several factors are making the city more attractive to older residents—and they help stabilize the economy, because they get much of their income from Social

Security and other sources that don't depend on the local economy. Also, many have relatively high incomes (pages 13 and 14).

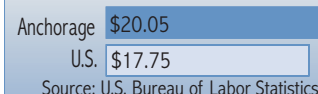
A third group that mirrors change nationwide is the fast-growing minority population, which is younger and much more culturally diverse than the older white residents. Their growing numbers are already changing school enrollment and the labor force—and bringing the city the challenge of making everyone feel part of the community.

A final group we look at is young adults, whom some fear are abandoning the city for better opportunities elsewhere. There are conflicting signs about that (see page 16).

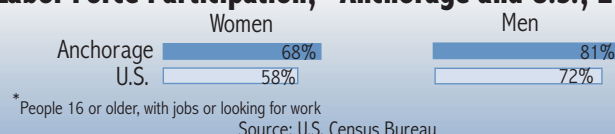
Median Household Income, Anchorage and U.S. 2000



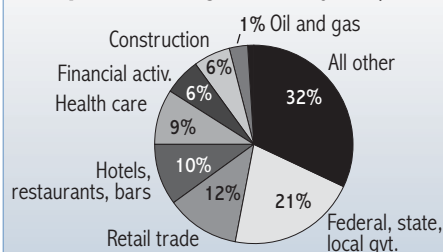
Average Hourly Wage, Anchorage and U.S., 2003



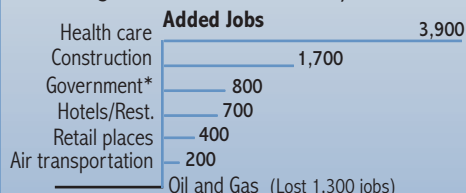
Labor Force Participation, * Anchorage and U.S., 2000



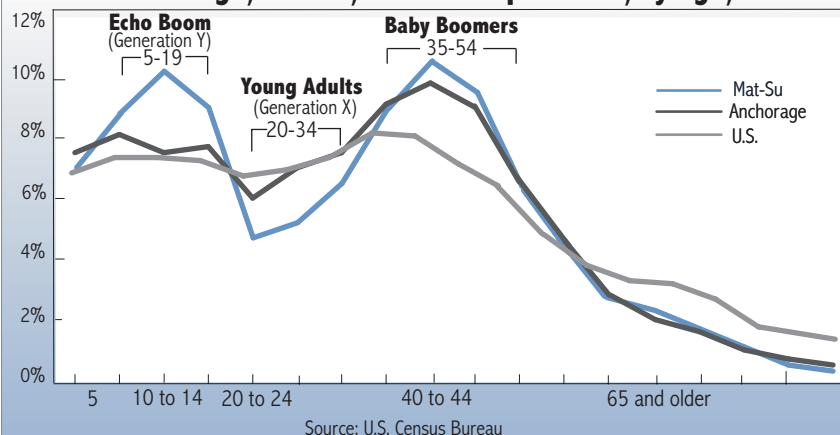
Anchorage's Job Picture Composition of Wage and Salary Jobs, 2004



Job Changes in Selected Industries, 2001-2004

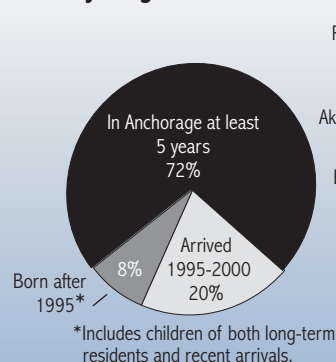


Anchorage, Mat-Su, and U.S. Populations, by Age, 2000

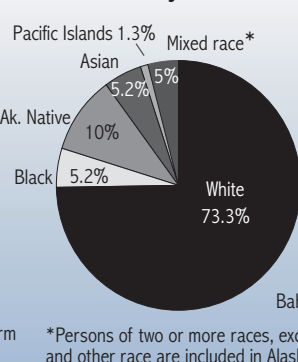


Characteristics of Anchorage's Civilian Population, 2000

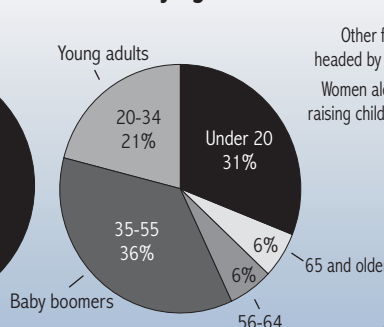
By Length of Residence



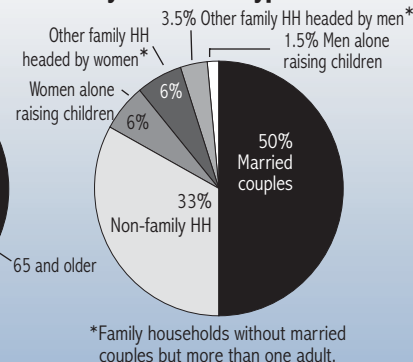
By Race



By Age



By Household Type



Sources: U.S. Census Bureau and ISER estimates

MIGRATION CONTRIBUTES TO CHANGE

Anchorage's population has gotten more stable, but there's still a lot of churning. The Alaska Department of Labor estimates numbers arriving or leaving each year. But the only detailed information on characteristics of movers is the 10-year U.S. census, which asks people where they lived 5 years earlier. That tells us about movers in the last half of the decade. But in the 1970s and 1980s, there were economic booms early in the decade followed by busts later on, especially the 1986-88 recession. The city saw no such big booms or busts in the 1990s, but the U.S. economy grew faster late in that decade.

As a result, more people left than arrived in Anchorage in the last half of the 1970s, 1980s, and 1990s. So it may look as if the city lost more people than it gained in every decade—but that isn't true. The

boom times attracted more people than the busts cost the city, and in every decade arrivals exceeded departures. The census information happens to be during the economic slowdowns. But we believe—based on how the city looked at the beginning and end of every decade—that the characteristics of the movers were similar throughout the decade, even though their numbers were larger or smaller at times.

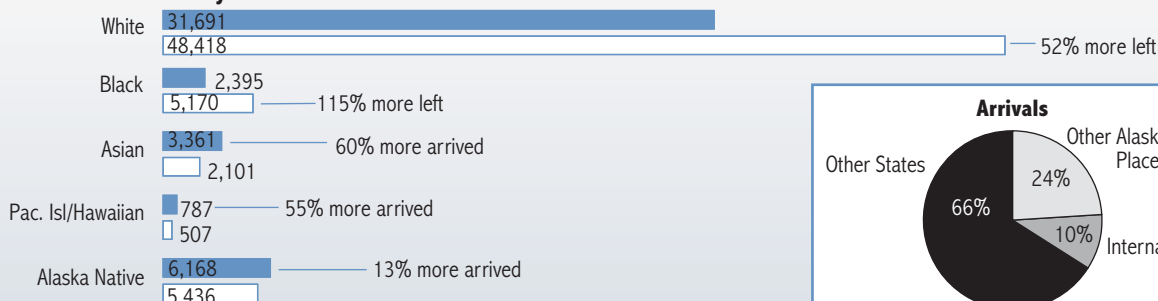
In this profile we report on those who came or went from 1995 to 2000, when 64,000 left the city and 47,000—a third fewer—arrived. Part of the reason more people left was the the booming U.S. economy in the late 1990s. Also, most of the jobs being created in Anchorage were at the low end of the pay scale—and the city was losing hundreds of high-paying jobs in the oil industry and elsewhere. And

People Who Arrived In and Left Anchorage, 1995-2000

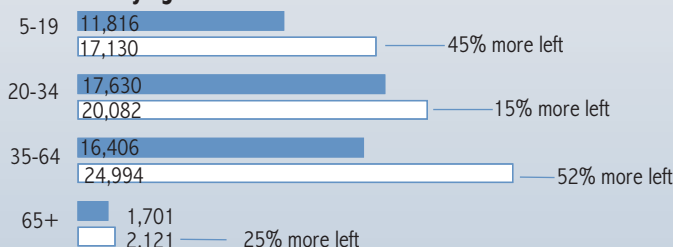
(Civilians Moving To and From Other Alaska Places and Outside Alaska)

Arrived (47,000) Left (64,000)

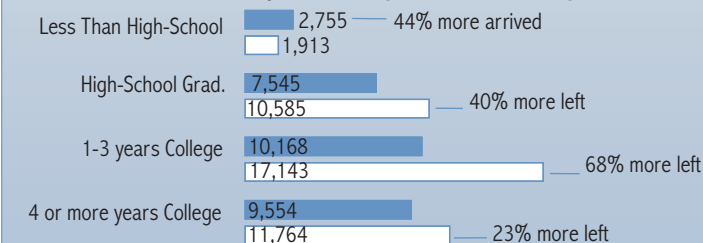
By Race



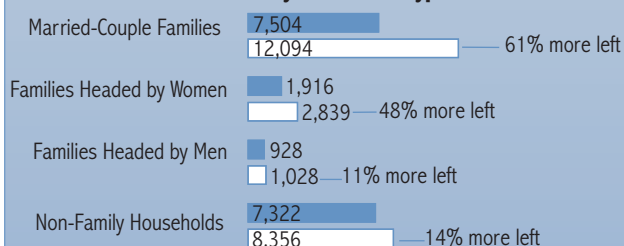
By Age



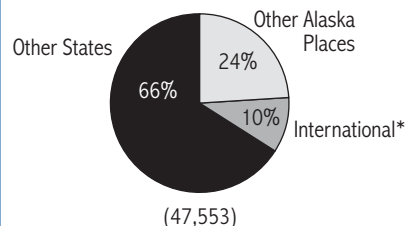
By Education (Persons 25+ Years)



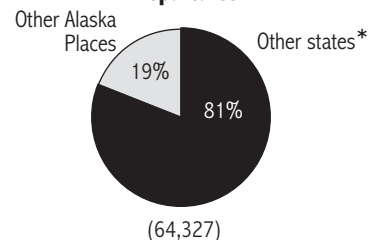
By Household Type



Arrivals



Departures



* Census data allow us to identify those who arrive from other countries but not those who leave for other countries.

By Median Household Income (2000)

Arrived^a	
From other states	\$46,000
From other countries	\$39,000
From other Alaska	\$43,400
Left^b	
For outside Alaska	\$43,000
For inside Alaska	\$50,000

Stayers^c \$60,100

All Residents^d \$57,000

^a 2000 incomes of residents who arrived in previous 5 years

^b 2000 incomes of people no longer living in Anchorage

^c Lived in Anchorage before 1995 and still there in 2000

^d Includes recent arrivals and long-term residents

Source: U.S. Census Bureau

at the same time, thousands were leaving Anchorage for the adjacent Mat-Su Borough, as we discuss more below.

Most of those who left—80%—moved outside Alaska and about 20% left for other Alaska places. People leaving in the largest numbers were white residents; married-couple families; middle-aged people; children; and people who had some college education but not four-year degrees.

Among those moving in, about 66% came from other states, about a quarter from elsewhere in Alaska, and 10% from other countries. Those arrivals were of all races, ages, and household types. But the only groups who arrived in bigger numbers than left were Alaska Native, Asian, and Pacific Island people, and people who hadn't finished high school.

Household incomes of both those who left Anchorage and those who moved in were lower than the overall median income for Anchorage—\$57,000 in 2000—with the lowest incomes among recent international arrivals.

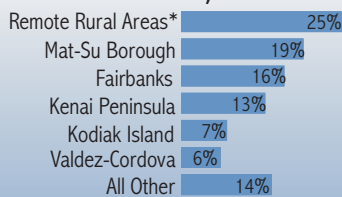
So how did all this movement contribute to change?

- The share of households that were married couples dropped from over 53% in 1990 to under 50% by 2000. Migration doesn't account for all the decline, but it contributed, because many married couples left for other states or the Mat-Su Borough.
- Minorities became a bigger share of the population, due not only to more arriving, but also to natural increase among existing residents and to the loss of about 15,000 white residents in the late 1990s.
- Movement in and out probably didn't have much effect on Anchorage's overall household income, because incomes of most of those who moved in and out were similar.
- Education levels in Anchorage changed little between 1990 and 2000, even though many people with some college education left and a few hundred without high-school diplomas arrived in the late 1990s. The lack of overall change is probably because: (1) more educated people arrived in the early 1990s; and (2) more of the long-term residents improved their education. The only noticeable change was a drop in educational attainment among young adults (page 16).

Among those arriving in Anchorage from other Alaska places in the late 1990s, about 25% came from remote western and northern Alaska. The migration of Alaska Natives from villages to Anchorage in

recent times has boosted the city's Native population, especially working-age women (page 10).

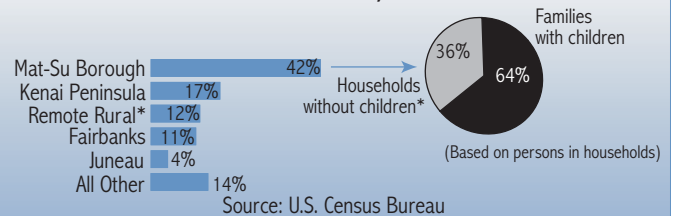
Origins of Arrivals from Other Alaska Places, 1995-2000



Source: U.S. Census Bureau

*Remote rural areas are the North Slope, Northwest Arctic, and Lake and Peninsula boroughs and the Wade Hampton, Bethel, Nome, Dillingham, and Yukon-Koyukuk census areas.

Where Did People Go Who Left Anchorage For Other Alaska Places, 1995-2000?



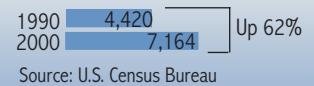
Source: U.S. Census Bureau

Among those who left Anchorage for other Alaska places, 42%—mostly young, white families with children—went to the adjacent Mat-Su Borough. Borough house prices have historically been below Anchorage's, and commute times from the borough are reasonable. Clear measures of movement to the borough are the 60% increase in commuters from the borough between 1990 and 2000 and growth in Mat-Su school enrollment.

Mat-Su enrollment was up 50% from 1990 to 2005. Partway through the 2004-05 year, nearly 1,000 students were transfers from other Alaska districts. We know many were from Anchorage, but the Mat-Su district can't readily report transfers by individual district.

Movement to the Mat-Su showed no signs of abating in mid-2005, but some analysts predict that the borough's house prices will move ever closer to Anchorage's, as demand in the borough continues to grow.

Workers Commuting from Mat-Su to Anchorage, 1990 and 2000



Source: U.S. Census Bureau

Mat-Su Enrollment Growth

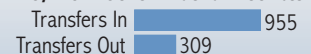


*As of February 2005.

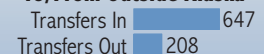
Source: Mat-Su School District

Transfers In and Out, Mat-Su School District, 2004-05*

To/From Other Alaska Districts



To/From Outside Alaska



*As of February 2005

Source: Mat-Su School District

The patterns of migration to the Mat-Su, and patterns of change in Anchorage, have created some demographic differences.

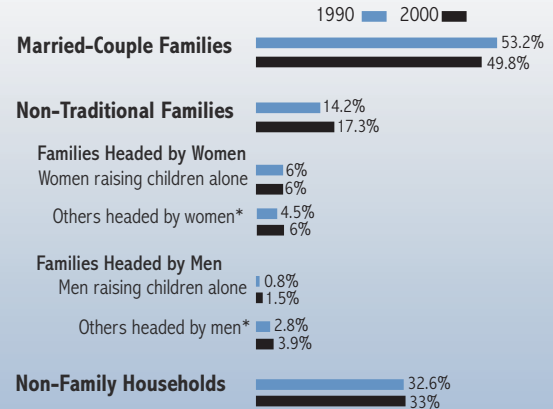
- Nearly all the growth in Anchorage from 1990-2000 was among people over 40. Movement in among the younger minorities wasn't enough to offset (1) migration out among families with children and (2) aging among the city's older white residents.
- By contrast, the fast growth in the Mat-su Borough was spread among most age groups, except the very old. Close to half the growth was among those under 40 and just over half among those over 40.
- Despite fast growth in the Mat-Su and the aging of Anchorage's population, labor force participation in Anchorage remains much higher—about 73% compared with 66%.

Most children in Anchorage—about 70%—still grow up with both parents, but that share has declined over time, as the share of married couples fell, and it's now slightly below the U.S. average of 72%. The remaining 30% of children in Anchorage live in households with just one parent, with or without other adults also in the household.

About 14% are being raised by mothers alone—with no other adult in the house. That's above the U.S. average of 12.5%. There's also a small but noticeable trend toward more single fathers raising children; about 3% of Anchorage children are being raised by their fathers alone, with no other adult in the house, compared with less than 2% nationwide. Still, despite that increase, Anchorage children who live with only one parent are five times more likely to live with their mothers. The remaining 13% of children are growing up in households with either their mothers or their fathers, but also some other adults—who could be other relatives, unmarried partners, or roommates.

Poverty among Anchorage children fell slightly between 1990 and 2000—from 9.5% to 9.3%—which may seem surprising, given the growth in single-parent families, which we know are much more likely to be poor (page 8). But several things likely contributed. First, poverty is measured under the federal poverty threshold; in 2000, that was just around \$17,500 for a family of four. That

Changes in Household Composition, 1990-2000



*Households with at least two related people (who may or may not be a parent and child) and more than one adult.

Source: U.S. Census Bureau

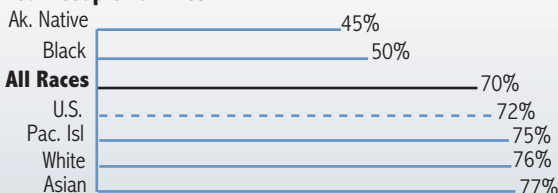
threshold isn't adjusted for Alaska's higher cost of living; some analysts argue that it is too low nationwide. Also, welfare reform beginning in the late 1990s required many parents receiving welfare payments to find jobs; it's likely that even lower-paying jobs are enough to raise families above the federal poverty line. Supporting that argument is the decline in poverty among children nationwide, from 18.3% to 16.6%. And, as we talk about on page 8, growing Permanent Fund dividends may have also held down poverty.

Poverty declined among Anchorage children of all races, except among Asian and Pacific Island children—where it increased sharply. Many of those were likely newer immigrants, whom we know have lower incomes. Poverty among minority children in general remains two to three times higher than among white children.

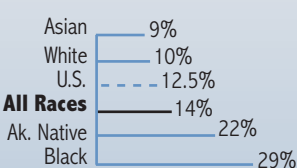
Living Arrangements of Anchorage Children, By Race, 2000

(Shares of Children in Types of Family*)

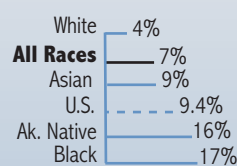
Married - Couple Families



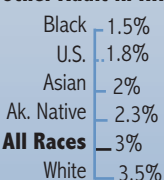
Single Women With Children/ No Other Adult in HH**



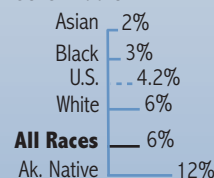
Single Women With Children/ Other Adult in HH**



Single Men With Children/ No Other Adult in HH**



Single Men With Children/ Other Adult in HH**

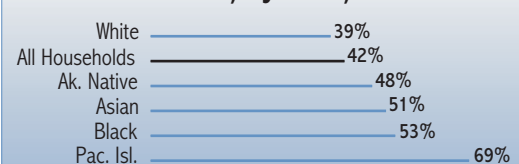


*Numbers don't all add to a 100 percent because a small share of Anchorage children live in non-family households or groups quarters. Figures for mixed-race, non-Native children not shown.

**Sample of Pacific Island households too small to be reliable.

Source: U.S. Census Bureau

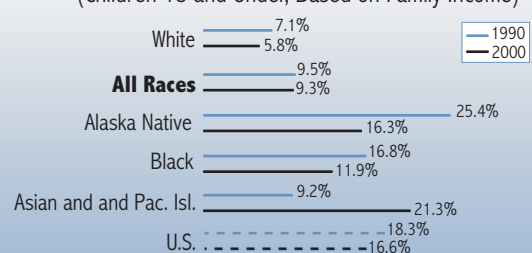
Share of Anchorage Households with Children, By Race, 2000



Source: U.S. Census Bureau

Poverty, * Anchorage Children, 1990 and 2000

(Children 18 and Under, Based on Family Income)



* Poverty threshold for a family of four in 2000 was about \$17,500. Source: U.S. Census Bureau

Anchorage Civilian Population By Race

	1990	2000	Increase
White	164,136	170,145	+4%
Black	9,952	11,942	+20%
Asian	9,624	12,198	+27%
Ak. Native	14,750	23,803	N/A*
Pac. Isl	492	3,024	+415%
Other	N/A	10,954	N/A*

Figures exclude people living in group quarters. **Other* category includes people of mixed race, except Alaska Natives of mixed race, who are in Alaska Native category. We can't calculate growth rates for these categories, because the mixed-race category did not exist until 2000.

Source: U.S. Census Bureau

Higher poverty among the city's minority children is partly because more live in single-parent households, which tend to be poorer. Only half the city's Alaska Native and black children live with both parents, compared with at least 70% among other races.

We also know that household incomes of all minorities are significantly below those of white households. Alaska Native and Pacific Island households have the lowest incomes in the city, at 60% those of white households.

Incomes of minority households are lower because more are headed by younger people, who aren't yet at their peak earning power; fewer have jobs; and the jobs they have tend to be lower-paying (see pages 11 and 12).

The share of households with children also varies sharply by race. The older average age of white residents is reflected in the fact that only about 4 in 10 white households have children. Pacific Island people are the city's youngest group; 7 in 10 of their households have children.

Another sign of the aging of the white population—and of the migration out of the city of thousands of white families—is in school enrollment. Minorities make up about 27% of Anchorage's population but 44% of school enrollment. The number of white students in Anchorage schools was smaller in 2004 than it had been in 1980.

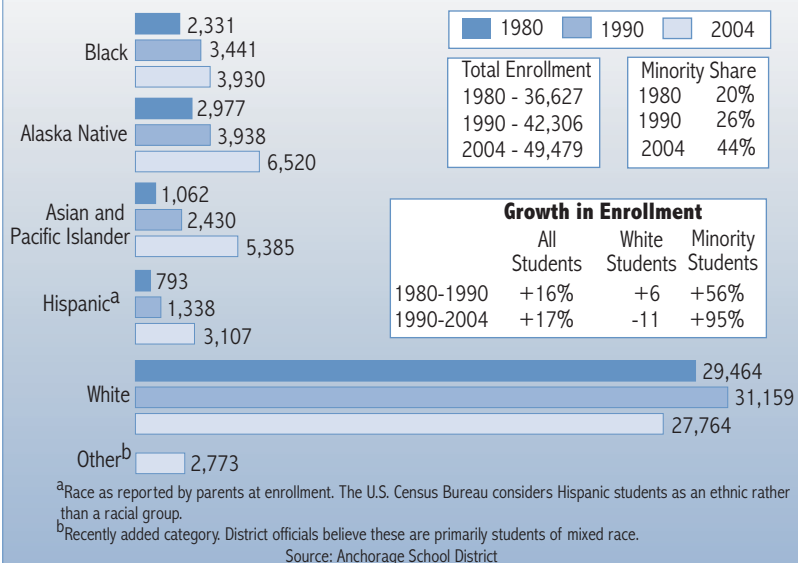
The growing diversity of the Anchorage population—and the sharp differences in ages, incomes, and cultures—pose significant challenges for the city.

Education levels among Alaska Natives have improved in recent times, but still fall considerably short of those among whites; many Asian and Pacific Island people lack the education they need to help them get better jobs.

Also, more than one in ten students in Anchorage schools speaks a primary language other than English—and those languages are diverse (page 9). Schools face the challenge of helping all children learn and meeting the No-Child-Left-Behind standards.

And single mothers and minority residents are clustered at the bottom of the income ladder, with many holding lower-paying jobs without health insurance. Making sure all children and families get adequate health care and other services they need will be a challenge for the city and the state, as health care costs continue to escalate.

Enrollment Changes, By Race,^a Anchorage School District, 1980-2004

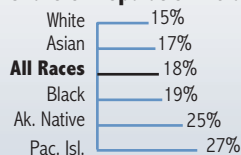


How Do Ages, Incomes, and Education Vary Among Anchorage Residents by Race?

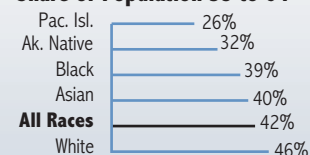
(As of 2000)

Age Differences

Share of Population 10 and Under

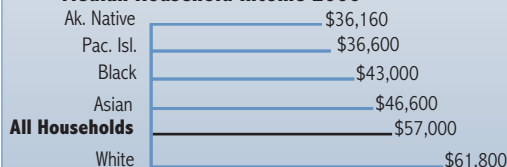


Share of Population 35 to 64

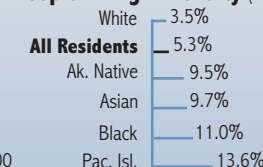


Income Differences

Median Household Income 2000

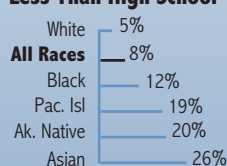


People Living in Poverty (Based on household income)

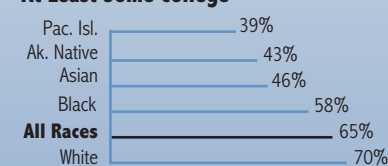


Education

Less Than High School



At Least Some College



Source: U.S. Census Bureau

Low-Income Residents

Average Anchorage Household Income From Permanent Fund Dividends, 2000

	Dollar Amount	Share of Total Income
Wealthiest 20% of HH	\$4,999	3%
Poorest 20% of HH	\$3,174	21%

Source: ISER calculations with U.S. census data

Poverty cuts across all races, ages, and family types, but Anchorage's poorest households are concentrated among minorities, single women with children, those with less education, and single residents over 65. Half the children being raised by single mothers are in the bottom 20% of households, as are 24% of residents over 65 and nearly 30% of Alaska Native and black residents.

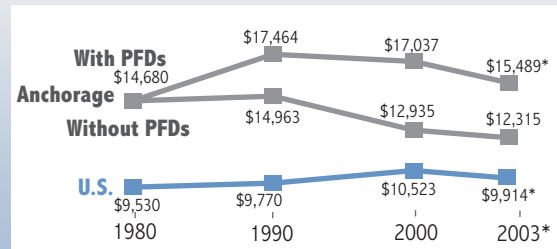
By contrast, white residents, people with college degrees, and those with full-time jobs are more likely to be in the wealthiest 20% of households.

Incomes of the poorest 20% of Anchorage households are still above those of the poorest households nationwide. They have also stayed ahead of inflation since 1980—but only because of the unique state program that makes cash payments to all residents. Since the 1980s, Alaska's government has used part of the earnings of the Permanent Fund—the savings account established with oil revenues—to pay dividends to state residents. The fund had a balance of nearly \$31 billion in mid 2005.

Dividends made up \$1 of every \$5 of income among the poorest 20% of Anchorage households in 1999 (the income year reported during the 2000 census); dividends that year were \$1,769 per person. For the wealthiest 20% of households, dividends contributed on average 3% of income. But even though the share of income is much smaller among wealthier households,

Real Average Income of Households At Bottom of Income Range, Anchorage and U.S., 1979-2002

(Incomes of Poorest 20% of Households, In 2002 Dollars)



Sources: U.S. Census Bureau, 10-year census and 2003 Current Population Survey
*Income reported in 2003 for the previous year.

they actually collect more on average: \$5,000 per household in 1999, compared with about \$3,200. That's likely because more of the poorer households are single-person. Still, it refutes a common belief that poorer households typically collect more.

About 5% of Anchorage residents fell below the federal poverty line in 2000, compared with 12.4% nationwide. But without dividends, Anchorage's poverty rate could have risen to 9%. The poverty standard is quite low—\$17,500 for a family of four in 2000—so this is an estimate of how much dividends alleviate extreme poverty.

Income distribution in Anchorage is also somewhat more equitable than it is nationwide—the poor aren't quite as poor relative to the rich. That's true for two reasons: Unlike the U.S. as a whole, Anchorage doesn't have any billionaires to skew the distribution. And Permanent Fund dividends reduce inequity by supplementing incomes of the poor. Dividends weren't intended as income supplements, but that's what they've become—and state policymakers will need to keep that in mind in the future, if they are considering changes in the Permanent Fund dividend program.

How Many More Anchorage Residents Could Fall Below the Federal Poverty Line, Without Permanent Fund Dividends?

Below 2000 poverty threshold* with dividends



12,414

Below 2000 poverty threshold* without dividends



23,379

- Overall poverty could nearly double, from 5% of residents to nearly 9%
- 5,600 of the additional poor would be children, bringing total poor children to 11,650
- Poverty among Alaska Natives could more than double, from 2,240 to 4,660

*The federal poverty threshold was about \$17,500 for a family of four in 2000.

Source: ISER calculations with U.S. census data

Who Lives in Households at the Bottom and the Top of Income Range?

(As Share of Total Group)

	Bottom 20% of HH	Top 20% of HH
Children being raised by single mothers	51%	3%
People 65 and older	24%	22%
Full-time workers	7%	30%
Adults with 4 or more years of college	7%	39%
Residents by Race		
White	12%	27%
Black	29%	15%
Ak. Native	27%	13%
Asian	19%	18%
Pac. Isl.	21%	5%

Source: U.S. Census Bureau

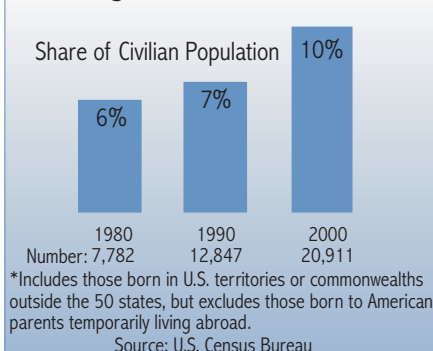
The city's foreign-born population is up sharply since 1990, with people who were born abroad arriving from both other states and other countries.

The number of Anchorage residents born outside the 50 states grew 60% in the 1990s, up from 13,000 to nearly 21,000. The foreign-born share of the population increased from 7% to 10%. Many of these residents—especially the long-term residents—are U.S. citizens.

International immigration in the past decade is shown by growth in the number of Permanent Fund dividend applications from Anchorage residents who are not citizens—up 14% between 1995 and 2000 and up 10% from 2000 to 2004. Arrivals in Anchorage in the late 1990s were younger, less well-educated, and less likely to come with families; they also had lower incomes than those who came a decade earlier. Lower education levels among many immigrants, compared with U.S. citizens, have also been reported nationwide.

People from throughout the world arrived in the late 1990s, but more were from Samoa and other Pacific Islands than any place else, followed by the Philippines and Mexico. There was significant immigration from Korea and other Asian countries as well.

Anchorage Residents Born Abroad*



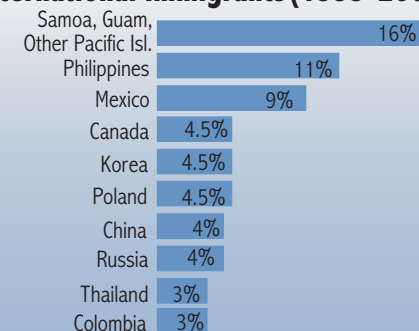
International arrivals are also reflected in languages spoken by students in city schools. In 2004, about 13 percent of the students spoke languages other than English. Spanish was most common; Tagalog (the Philippines) was second, then Samoan, Hmong (Southeast Asia), and Korean.

No single reason explains why the city attracts immigrants. An obvious one is what the U.S. in general offers: freedom, safety, opportunities, public schools, and much more. Also, federal laws and programs determine where refugees settle—based on availability of sponsors and other factors—and also play a big role in determining where immigrants go, favoring those who can settle in a place with close relatives who are already citizens. Residents of U.S. territories or commonwealths (like American Samoa) are U.S. nationals who don't face the immigration requirements of those from other countries.

But why Anchorage? Jobs, for one thing: the city has seen steady job growth for more than a decade. Lower taxes are another draw: Anchorage residents pay less tax than residents of many U.S. cities, because there are no state or local personal income or sales taxes. On top of that, the state makes annual Permanent Fund dividend payments to qualified residents, whether they're citizens or not.

And Anchorage has less pollution, relatively lower crime rates, and less crowding than many larger cities. Also, it's been the pattern throughout U.S. history that when the first immigrants find economic opportunities in a community, they encourage others to come.

Most Common Birth Places of Recent International Immigrants (1995-2000)



Languages Spoken by Anchorage School District Students, 2004

Total students: 49,479



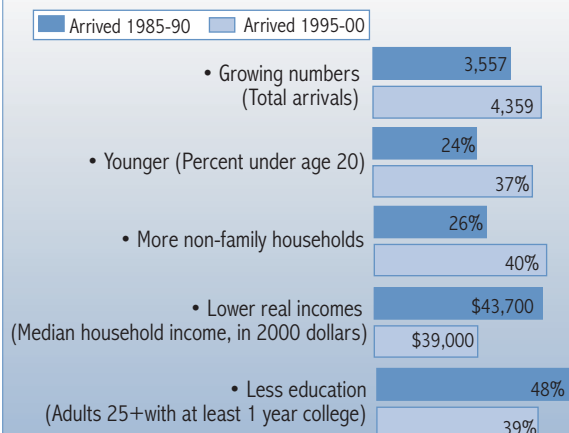
Source: Anchorage School District

Growth in Permanent Fund Dividend Applications From Non-Citizens in Anchorage

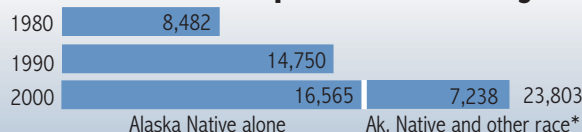


Source: Alaska Division of Permanent Fund Dividends

How Have International Immigrants* Changed?



Alaska Native Population in Anchorage



*The 2000 census allowed respondents, for the first time, to report more than one primary race. That change overstates growth in the Native population from 1990 to 2000, because the 1990 figure includes a partial but unknown number of Natives of mixed race.

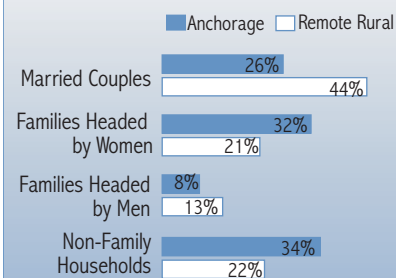
Source: U.S. Census Bureau

Alaska Natives are the city's largest minority, making up about 10% of the population. Many moved to the city from their homes in small villages of western and northern Alaska, drawn by jobs, education opportunities, and better access to medical care. By 2000, about one in five of all Alaska Natives lived in Anchorage.

Has their increasing urbanization benefited Alaska Natives? That's a complex question with many aspects; here we look at only a narrow part of their overall circumstances. Alaska Natives in Anchorage have seen economic gains like improved job opportunities (especially for women) and increased homeownership. But they continue to face high unemployment, high rates of poverty, and incomes far below the city average. They also have among the city's highest share of households headed by single women, their education levels and homeownership rates are improving but still lag those of non-Natives, and they face a number of health and other social problems documented in a recent ISER report, *Status of Alaska Natives 2004*.

Here we first compare characteristics of Native households in Anchorage and in remote villages, and then look at changes among the city's Native households since 1990.

Native Household Composition, Anchorage and Remote Rural Areas,* 2000

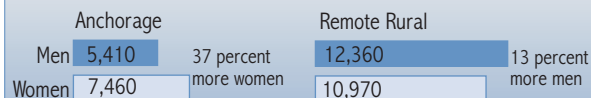


Source: U.S. Census Bureau

Native households in Anchorage are much less likely than village households to be married couples—26%, compared with 44%. Households headed by women are more common than married-couples among Native households in Anchorage—32% compared with 26%; nearly one quarter of Native children in Anchorage are growing up with their mother as the only adult in the household. Non-family households make up a much bigger percentage of households in the city than in the remote villages—34% compared with 22%.

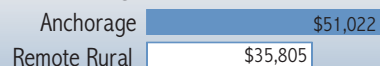
There are also big differences in the ratio of men to women in Anchorage and in remote villages. Working-age Native women in Anchorage outnumber working-age men by more than a third. That

Number of Working-Age (20-64) Native Men and Women in Anchorage and Remote Rural Areas,* 2000



Source: U.S. Census Bureau

Average Incomes, Native Households in Anchorage and Remote Rural Areas,* 2000



Note: Median income figures not available for this breakdown. Average income can differ substantially from median income.

Source: U.S. Census Bureau

disparity helps explain why Native women in Anchorage also hold more jobs than Native men, as we'll see on page 13.

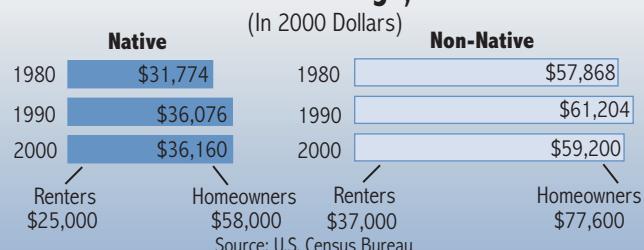
Incomes of village households average only about 70% those of Native households in Anchorage. That's due to both higher unemployment and lower average wages in remote villages.

Looking at changes among Native households in Anchorage, we found that the number of Native workers in Anchorage with full-time jobs nearly doubled between 1990 and 2000, from 2,700 to 4,900.

Real (adjusted for inflation) incomes of Native households in Anchorage also improved slightly in the 1990s, while real incomes of non-Native households dropped. We'll also see, on page 13, that Native working women boosted their earnings even as income of men (both Native and non-Native) fell. But median Native household income in 2000 was still only 60% that of non-Natives.

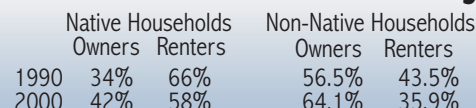
Homeownership among Native households improved from 34% to 42% in the 1990s. But the 58% of Native households that still rent have incomes less than half those of Native homeowners—in 2000, a median of \$25,000, compared with \$58,000.

Real Median Income of Native and Non-Native Households in Anchorage, 1980-2000



Source: U.S. Census Bureau

Homeowners and Renters in Anchorage

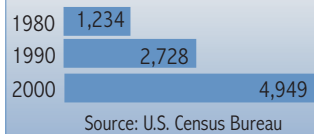


Source: U.S. Census Bureau

*Remote rural areas are the North Slope, Northwest Arctic, and Lake and Peninsula boroughs and the Wade Hampton, Bethel, Nome, Dillingham, and Yukon-Koyukuk census areas.

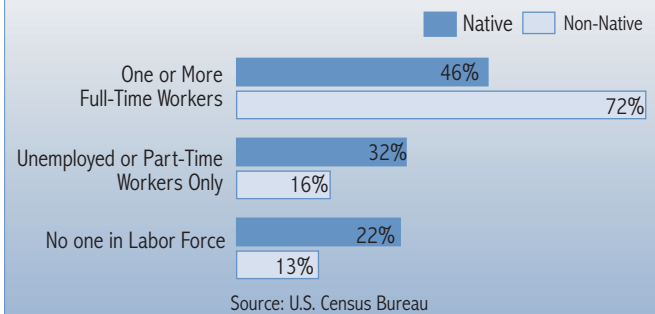
And finally, while lower average earnings partly explain the lower incomes among Native households, the gap also has to do with lack of full-time jobs. In 2000, only

Number of Full-Time Native Workers in Anchorage



46% of the city's Native households had full-time workers, compared with 72% among non-Native households. Another 32% of Native households had only unemployed or part-time workers, compared with 16% among non-Natives. Native households were almost twice as likely to have no one in the labor force. This gap will pose an increasing challenge, as large numbers of young Natives move into the labor force. State, city, and Native leaders still face the longstanding issue of how to improve job opportunities for Alaska Natives.

Labor Force Status of Native and Non-Native Households in Anchorage, 2000



ANCHORAGE WORKERS

When Alaska became a state, Anchorage residents couldn't just go out and buy all the goods and services available in other U.S. cities—they ordered more things by mail, for instance, and often had to leave the state for medical treatment or other services. But for several decades the city economy has been maturing and adding stores, medical facilities, restaurants, hotels, and more.

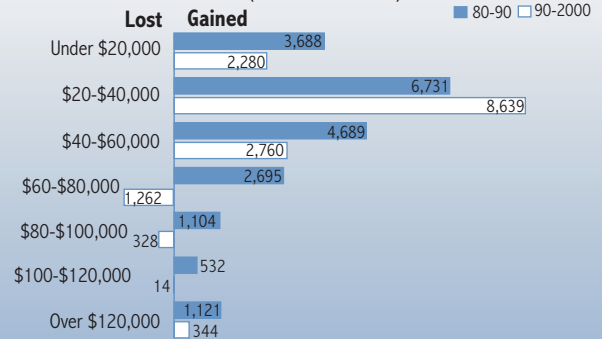
This economic broadening is good, because it offers Anchorage residents and visitors more choices and has helped reduce living costs relative to other places. But with some exceptions—like health care—service and trade jobs are at the low end of the pay scale. The adjacent figure shows the effects on Anchorage workers of the job shift since 1980.

In the first part of the 1980s, the number of jobs in Anchorage grew rapidly, as the city went through a boom related to high oil prices and state spending of its oil revenues. Many of those new jobs were in trade and service industries, but thousands were also being added in the oil industry, government, construction, and other industries with higher average pay.

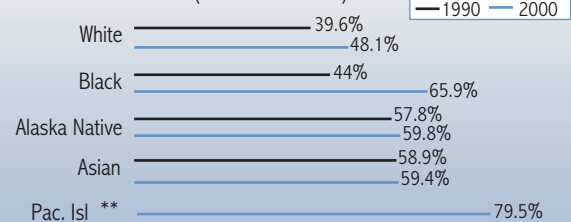
Things changed in the 1990s, with only about half as many jobs being added—and virtually none in the \$60-\$120,000 range. In fact, the city lost about 1,600 jobs in that upper range. Two-thirds of the jobs added paid \$20-\$40,000, and most of the rest paid either less than \$20,000 or \$40-\$60,000. A few hundred were added at the very top (over \$120,000).

Another measure of the change is the share of workers earning the same real (adjusted for inflation) wage in 1990 and 2000. The city's average wage in 2000 was about \$36,000; if we compare the share of workers earning the equivalent wage in 1990, we can see that workers of all races were affected by the shifting job market.

Full-Time Anchorage Jobs Gained and Lost, By Annual Pay Range, 1980-1990 and 1990-2000 (In 2000 Dollars)



Share of Anchorage Workers At or Below \$36,000* Real Annual Wage, By Race, 1990 and 2000 (In 2000 Dollars)



*Average 2000 wage in Anchorage ** 1990 sample too small to be reliable
Source: U.S. Census Bureau

The hardest hit were black workers; nearly 66% earned less than the city's average wage in 2000, compared with 44% in 1990. Among white workers, about 48% earned \$36,000 or less in 2000, compared with under 40% in 1990. Still, white workers fared better than workers of other races; 60% to 80% of workers of other races earned less than \$36,000 in 2000.

Aside from differences in earnings by race, there are also differences by residence: workers who live in the Mat-Su Borough and commute to Anchorage have higher average earnings than both (1) those who live and work in Anchorage and (2) those who live and work in the Mat-Su. In 2000, Mat-Su commuters had average earnings of \$43,442, compared with \$34,118 among those living in Anchorage and \$27,841 among those living and working in the Mat-Su. That difference makes sense, if we assume that only those with relatively better-paying jobs can afford to move to the Mat-Su and commute to work in the first place.

The figure above also shows that workers who live in either Anchorage or the Mat-Su and commute to work in rural areas—many to the North Slope oil fields—have the highest average wages, at around \$56,000 in 2000.

Since about 2000, continued growth in the health care industry and a construction boom have pulled average Anchorage wages up somewhat. Jobs in construction are among the best paid, and many health care jobs also pay well or at least better than average. But in recent years the city has also lost jobs in the petroleum industry—oil companies have cut back on headquarters employment as North Slope production falls—and those jobs are at the top of the pay scale.

Another change in the 1990s was in labor force participation—that is, in the share of adults 16 and older with jobs or looking for work. Men and women still work in bigger proportions in Anchorage than in the U.S. as a whole (page 3), but labor force participation did decline between 1990 and 2000. The drop was among both men and women, but was about twice as big among men.

Average Earnings of Anchorage and Mat-Su Residents, 2000

Live in Anchorage	
Work in Anchorage	\$34,118
Work in Mat-Su/Kenai	\$45,967
Work in rural Alaska	\$55,952

Live in Mat-Su/Kenai*	
Work in Mat-Su/Kenai	\$27,841
Work in Anchorage	\$43,442
Work in rural Alaska	\$56,225

*Census data for this information groups Mat-Su and Kenai residents. But almost all those who work in Anchorage but live in Mat-Su or Kenai Peninsula boroughs are from the Mat-Su

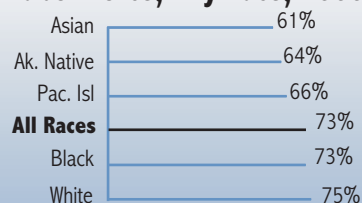
Source: U.S. Census Bureau

Several things probably contributed to that drop. For one, the minority population grew, and labor force participation among Alaska Native, Asian, and Pacific Island people is considerably below that among white and black residents. And, as we talked about earlier, the majority white population is aging and some moved out of the labor force. Also, the population over 65 grew rapidly in the 1990s; although about a quarter of residents over 65 still work, most don't.

Another sign of the aging population is the declining share of total income from wages, dropping from 86% of all income in 1980 to just over 75%—nearly at the U.S. average—by 2000.

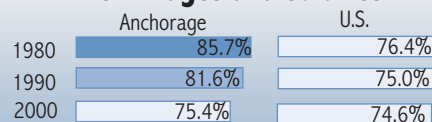
But the clearest sign of Anchorage's changing job market in the past 25 years may be this: in 1980, high-school dropouts earned on average 72% as much as college graduates; by 2000, they earned just 43% as much. Not so long ago, there were more relatively well-paid jobs available to Anchorage residents with little education. But now—as is true across the country—such jobs are much scarcer.

Share of Anchorage Adults in Labor Force, * By Race, 2000



*People 16 or older, with jobs or looking for work
Source: U.S. Census Bureau

Share of Income from Wages and Salaries



Source: U.S. Census Bureau

Anchorage Average Annual Wage/Salary

	Not Adjusted	Adjusted for Inflation*
1980	\$22,944	\$40,494
1990	\$30,816	\$39,209
2000	\$36,456	\$36,456
2003	\$39,600	\$36,773

*In 2000 dollars
Source: Alaska Department of Labor

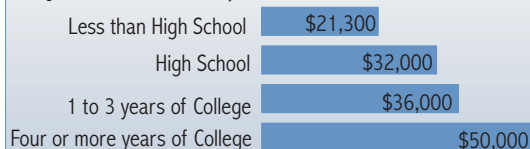
Changes in Anchorage Labor Force Participation, 1990-2000

	Women	Men
1990	70%	87%
2000	68% ↓3%	81% ↓7%

Source: U.S. Census Bureau

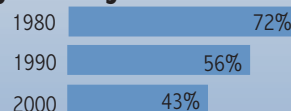
What Difference Does Education Make?

Median Earnings of Anchorage Workers,* By Education Level, 2000



*Full-Time workers

Median Earnings of High-School Dropouts as a Share of Earnings of College Graduates

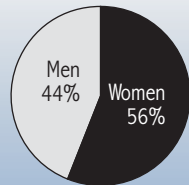


Source: U.S. Census Bureau

Anchorage's working women fared better than men in the 1990s, gaining 56% of new jobs and maintaining their incomes better. Still, men continue to earn much more than women.

Native women in particular had the best showing in recent years. They've moved into the work force rapidly in the past 30 years, and in 2000 Native women held 52% of all full-time Anchorage jobs held by Natives. By comparison, among non-Native workers, women held 44% of the jobs.

Shares of New Jobs, 1990-2000

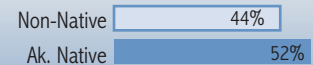


Source: U.S. Census Bureau

Also, real (adjusted for inflation) earnings of Native women increased 13% in the 1990s, even as real earnings of both Native and non-Native men—and of non-Native women—all declined. That meant Native women improved their earnings to be on a par with those of non-Native women and sharply narrowed the gap with Native men.

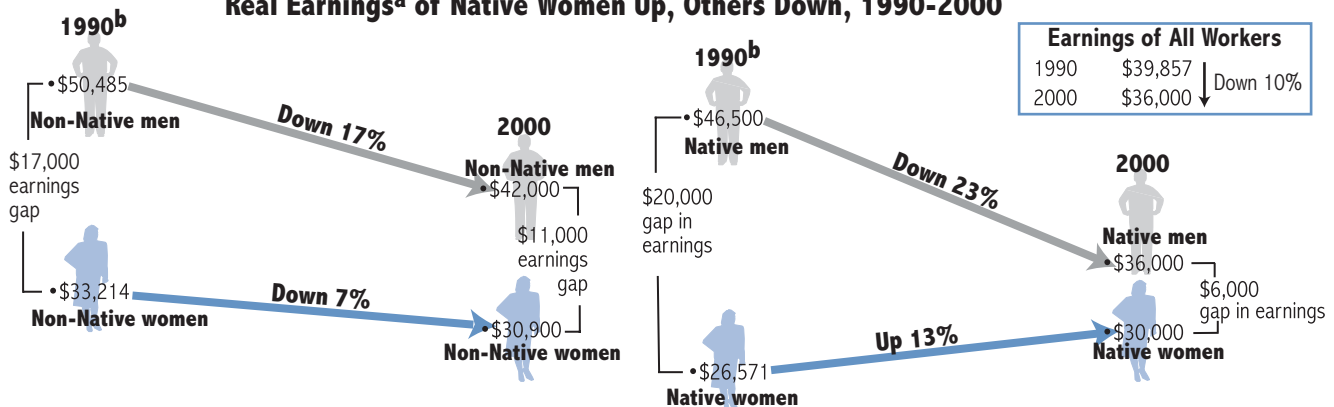
Still, despite these advances for Native women, labor force participation and household incomes of Natives continue to lag far behind those of white residents.

Women as Share of Native and Non-Native Workers, 2000



Source: U.S. Census Bureau

Real Earnings^a of Native Women Up, Others Down, 1990-2000



^aReal median earning of full-time workers with at least a high-school education, in 2000 dollars. ^bEarnings reported in the 1990 census included income from temporary jobs related to clean-up of the 1989 Exxon Valdez oil spill and are an estimated 5% higher than they otherwise would have been; still, the pattern would be the same, even without that oil-spill income. Source: U.S. Census Bureau

RESIDENTS 65 AND OLDER

Leaving Anchorage used to be what people routinely did when they got older—and many still do. But in the past 25 years, older people have been leaving at much lower rates, and the city's older population has been growing at five times the national average. (But that share was so small to begin with that it is still only about half the U.S. average). A combination of things has made the city more attractive to older people, including the fact that Anchorage is less expensive than it used to be relative to other places; the state pays all residents Permanent Fund dividends; and homeowners over 65 get a break on their property taxes. And older residents—like all residents—enjoy the absence of state or local personal income or sales taxes. Other draws are Anchorage's major medical facilities and a state-owned nursing home where costs are partly subsidized.

So what do we know about Anchorage's older residents? Most of them live in married-couple households, but nearly one in 5 women and one in 10 men live alone. They are as a group younger than all those over 65 nationwide, with more people in their 60s and fewer in their 80s. Also, those in their 60s—both men and women—are more likely than their U.S. counterparts to hold jobs (although older residents are less likely to work now than in 1980 or 1990).

Anchorage Residents 65 and Older

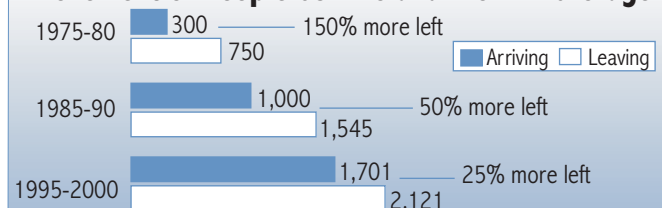
	Number	Share of Population
1980	3,658	2.5%
1990	7,931	3.9%
2000	13,539	5.7%
2003	15,716*	6.2%

U.S. Average 65+: 12.4%

*Estimate

Sources: 2003, Alaska Department of Labor; other years, U.S. Census Bureau

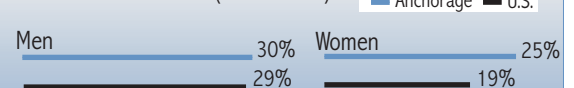
Movement of People 65+ To and From Anchorage



Source: U.S. Census Bureau

Share of People 65-69 with Jobs

(As of 2000)



Source: U.S. Census Bureau

RESIDENTS 65 AND OLDER

In 2000, the median income of Anchorage households headed by people over 65 was \$45,000—70% above the U.S. average. That's much bigger than the 30% differential all Anchorage households have over the U.S. average.

But as the adjacent table shows, it is specifically Anchorage's older married couples who have seen big increases in their incomes in the past 20 years. Real (adjusted for inflation) median household incomes of married couples over 65 increased 48% from 1980 to 1990 and 18% between 1990 and 2000, reaching nearly \$68,000.

By contrast, the city's single residents over 65 actually lost income; in 1980, their median income of under \$22,000 was nearly 60% that of married couples—but by 2000, their real income was still under \$22,000 and was just about 30% that of married couples.

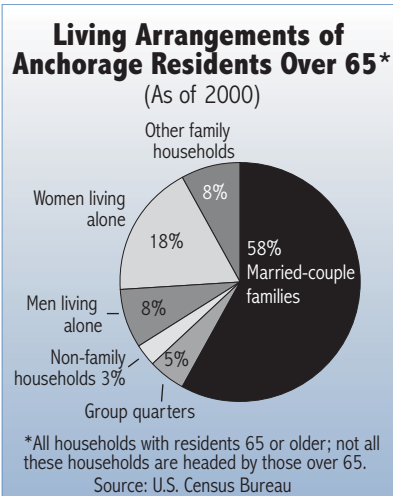
Anchorage's older married couples also saw much bigger income gains than younger couples, whose income grew 11% in the 1980s and dropped 3% in the 1990s. Couples under 65 still have higher incomes than couples over 65—but the gap is much smaller than it used to be.

So what boosted income of Anchorage's older couples so much? Incomes of older people nationwide also increased in the past 20 years, but not as much. Special payments from the state are part of the answer. The Longevity Bonus program—which was eliminated in 2003—made monthly payments to older people, and that program was expanded and the payment increased in the 1980s. Permanent Fund dividends also increased over the years. Since payments are per person, married couples collect more.

But even if we eliminate those state payments, real 2000 incomes of people over 65 in Anchorage were still far above the U.S. average. Other factors also contributed to the growth in income. The share of married-couple households grew. More of those who left Anchorage in recent times appear to have been single people with lower incomes.

Also, payments from Social Security were up in Anchorage and nationwide. The fastest growth, however, was in other types of retirement income. Investment income was also up, but the share of income from wages declined. Anchorage's older people get less of their income from Social Security and more from other types of retirement and from earnings; labor force participation is still higher in Anchorage.

Overall, it's important to keep in mind that there is a sharp split in the city's older residents. As the table on page 8 shows, almost equal shares of residents over 65 live in both the poorest 20% and the wealthiest 20% of households. Those in the poorest households are mostly single people and those in the wealthiest mostly married couples.



Median Income, Households Headed by Residents 65+, 2000

U.S. Average	\$26,600
Anchorage	\$45,000
Married Couples	\$67,700
Non-Families	\$21,600

Sources: U.S. Census Bureau

Change in Real Median Household Income, Anchorage Married Couples

	Over 65	Under 65
1980-1990	+48%	+11%
1990-2000	+18%	-3%

Source: U.S. Census Bureau

Real Median Income, Anchorage Households Headed by Residents Over and Under 65

(In 2000 Dollars)

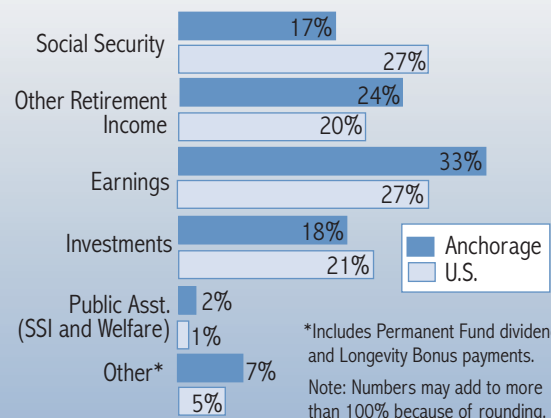
	Over 65		Under 65	
	Married Couples	Single ^a	Married Couples	Single ^a
1980	\$38,792	\$21,887	\$73,110	\$38,257
1990	\$57,432	\$23,007	\$82,202	\$40,848
2000	\$67,700	\$21,600	\$79,850	\$40,000

^aOlder single people are almost entirely older women or men living alone; about 8% live with some unrelated adult. More of the younger unmarried people live in households with unrelated adults.

Source: U.S. Census Bureau

Income Sources, Households Headed by People Over 65, Anchorage and U.S. Average, 2000

(Shares of Aggregate Income)



Source: U.S. Census Bureau

Baby boomers are the huge generation of Americans born in the 20 years after World War II, roughly from 1946 to 1964. Across the country, baby boomers make up about one in four Americans. The generations born before and immediately after are smaller. The boomers have been getting a lot of attention lately, because they're approaching retirement age—and their big numbers have implications for pension programs, health care systems, housing, and much more.

Analysts have also pointed out that—aside from the effects of their sheer numbers—baby boomers nationwide have fewer children and are much more affluent than generations before; where they retire and what they buy will have big effects on the national and local economies. (See, for example, the Milken Institute's Policy Brief No. 9, *America's Demography in the New Century*, March 2000.)

Baby boomers are even more concentrated in Anchorage than nationwide, accounting for about one in three residents, and their effects as they age could also be more concentrated. Many of them came to Anchorage as young adults during the economic booms of the early to mid 1970s and early 1980s. In fact, baby boomers made up close to half of Anchorage's population in 1980.

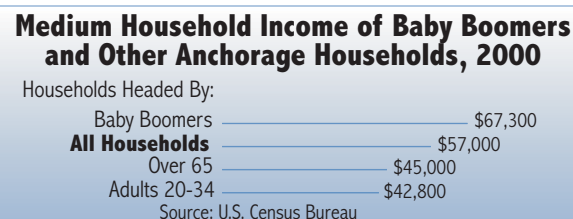
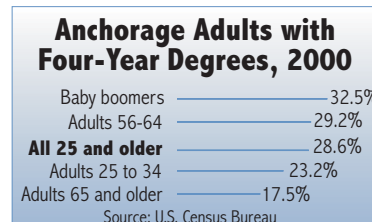
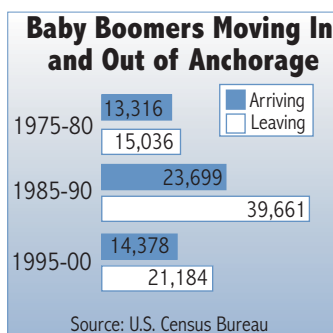
Many boomers did leave in the economic downturns—especially the 1986-88 recession following an oil-price crash, as the figure at the top of the page shows. But many stayed and some arrived, even in the downturns. They are Anchorage's largest, wealthiest, and best-educated group. Exactly how many of them will stay in the city after they retire is unpredictable.

But if they follow recent patterns among people over 65 (see adjacent box), Anchorage's over-65 population could more than double by 2020, and older residents could make up 11 percent of the city's population, compared with 6 percent today.

Having so many more older people carries the same kinds of implications for Anchorage as for other parts of the country—big numbers added to Social Security, for instance—but it also has others. The incomes of baby boomers will likely decline

when they stop working, but as we've seen, Anchorage's older residents as a group have incomes far above the U.S. average.

More income that doesn't depend on the job market would tend to help make the city economy more stable. Older people who collect Social Security and private pensions, and often investment income, bring money into the state economy. That money has multiplier effects—that is, when new money comes into the economy, it helps support new jobs.



Projected Growth in 65+ Population

At the projected rate of growth among residents over 65, and given the large number of baby boomers, the number of Anchorage residents over 65 could nearly triple between 2000 and 2020.

Number	Share of Anchorage Population
2000: 13,539	6%
2010: 23,793	8%
2020: 37,305	11%

YOUNG ADULTS

Some Alaskans are worried that bright young people are leaving Anchorage (and other Alaska places), to go to school or find work, and that few are moving in—creating a dangerous “brain drain.” People ages 20 to 34 in 2000—born roughly from 1965 to 1980—belong to what has been called “Generation X.” They make up about 21 percent of the population, both in Anchorage and across the country—a share considerably smaller than the baby boomers. So part of the reason numbers of young adults have declined is that there simply aren't as many of them as there were in the previous generation.

It is true that many young adults left the city during the late 1990s, when the U.S. economy was growing faster than

Anchorage's. As the figure on page 4 shows, some 20,000 young adults left from 1995 to 2000 and about 17,000 moved in—for a net loss of 3,000. But as the figure also shows, young adults were less likely to leave than either younger or older people.

And if we look at education levels among young adults coming and going at the end of the 1990s, we see more arrivals among both the best and the least educated young adults. Among those with four or more years of college 3,800 arrived and 3,200 left. So even in a period of slow growth, Anchorage still attracted young, educated adults. But at the same time, more young adults—about 200 more—without high-school degrees also moved in than out.

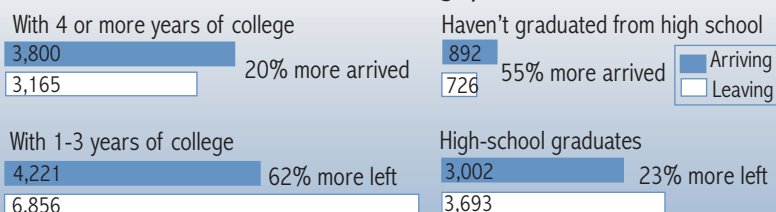
YOUNG ADULTS (CONTINUED)

The share of residents 25 to 34 with college degrees declined in the past couple of decades, from 25% in 1980 to 23% in 2000. This is worrisome, and only with the next census will we see if that decline is continuing. The less education young people have, the less chance they have at good jobs. High-school dropouts now earn about \$4 for every \$10 college graduates earn (page 12).

Real incomes of households headed by young adults dropped about 11 percent from 1980 to 2000. Partly that reflects the fact that so many of the new jobs in recent times have been in lower-paying retail and service industries.

Future opportunities for young people in Anchorage will depend not only on their education levels but also on what kinds of jobs are created—and on how long baby boomers keep working.

Education Among Adults 25-34 Who Moved To or From Anchorage, 1995-2000



Source: U.S. Census Bureau

Changes in Real* Median Income of Households Headed by Adults 20-34

1980-1990: Unchanged
1990-2000: Down 11%

*Adjusted for inflation Source: U.S. Census Bureau

CONCLUSION

Anchorage at 90 looks surprisingly like other U.S. cities, given how recently it was still a frontier town. It has an aging white population, a young and diverse minority population, and a growing number of residents over 65. Many of its minorities, single mothers, and older people living alone are clustered at or near poverty levels. Fast growth in housing prices is prompting many residents, especially families, to move outside the core city and creating a burgeoning commuter population.

Those changing conditions mean many new challenges for the city. For instance, who will replace the large number of baby boomers—the city's most affluent and best-educated group—when they retire? Can the city provide necessary services for an over-65 population that could double in the next 15 years? Minority students are approaching the majority in Anchorage schools: how will the school district provide all its students—who speak dozens of languages and come from very diverse cultural and personal backgrounds—with equal opportunities and help them meet state and national standards?

Like other U.S. cities, Anchorage also faces the challenge of spiraling medical costs, which have caused many employers to drop health care benefits. The situation is exacerbated in Alaska, because medical costs in the state are already much higher than the U.S. average.

That's just a sample of the issues the city faces with changing economic and demographic conditions. And despite its bigger and broader economy, the city's still depends a lot on federal and state spending—so future economic health will depend a lot on how the state and federal governments deal with their fiscal problems.

Note: In this paper, "U.S. Census Bureau" mostly refers to the 2000 Public Use Microdata Series (PUMS), detailed information collected from a 5% sample of city residents. Specifically, we used the Minnesota Population Center's Integrated Public Use Microdata Series: Version 3.0 database (S. Ruggles, M. Sobek; T. Alexander; C. Fitch; R. Goeken; P. Hall; M. King; C. Ronnander). We believe this sample information reliably shows change in Anchorage, but it is subject to more error than the full census. Also, census definitions sometimes differ from those other agencies use, making comparisons difficult, and census information is self-reported—and so depends on the memories of those answering the questions.



Understanding Alaska

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Daniel George

From: Miller, Jeremy D (DOC) <jeremy.miller@alaska.gov>
Sent: Wednesday, February 24, 2016 10:55 AM
To: Senate State Affairs
Subject: sb 114

Before digging into the “not so” Permanent Fund, more cuts MUST be made. The few cuts that have been made are ridicules. Cutting from life-safety areas and nothing from education, state health care, and special interests is just irresponsible. Things like shutting down funding for the Pioneer home cable TV and then approving funding for the women’s prison to get dish network is despicable!

Let the remote villages take care of themselves. “The way it’s always been”. No more 20 million dollar swimming pools.

Implement a SALES tax. We get over a million visitors each year that could be contributing via a sales tax. A sales tax would also enable those that don’t have a tax paying job to help out for a change.

Drug testing for welfare recipients!

Reduce unneeded state personnel. We don’t really need Directors for EVERY department, assistant Superintendents, and secretaries for the secretaries.

Mandate that all state funded education districts use building funds efficiently. No more big “fancy” buildings full of wasted space.

MOVE the dang capital! Now it’s no longer just to keep out the masses. Now it’s to save the budget!

Thank you.

Daniel George

From: Jennie Hafele
Sent: Wednesday, February 24, 2016 5:00 PM
Subject: Comments-Budget/UA/PFD

To:
SFIN
HFIN
FIN Subcommittee Members-UA
SSTA
Interior Delegation

From:
Deirdre Helfferich
House District 4
Subject:
Constituent Comments, UA Funding and PFD Use

Please enter the email below into the record for
HB 256
SB 114 and HB 303
SB 128 and HB 245
HB 224

Dated 2/24/2016

From: Deirdre Helfferich <estereditor@gmail.com>
Sent: Wednesday, February 24, 2016 4:12 PM
To: LIO Fairbanks
Subject: Re: Rep. Tammie Wilson's suggestion to cut research and outreach funding to UA

Dear Senator Coghill,

You may not be aware of it, but the Ester area is full of small farms, more every year, and agriculture has been taking off. Our proximity to the university (and the fact that many people in Ester work in College or on campus) make it tempting for many to turn that large garden into a small farm, or to sell the extra vegetables or flowers on the side at our tiny market. And right on campus are experts who can, or until recently could, help them choose seeds and sources and tools and fertilizer and all the other things needed to get a successful start, even to learning the business of farming, budgeting, etc. Alaska's soils, as you know, are cold, and even Canadian breeds or breeds adapted for Palmer don't cut it in the Tanana Valley, due to the shorter days and fewer of them.

But that is going away. Faculty are having to retire or are being laid off, and the experimentation that this university was founded on (in 1906) and that the surrounding farmers depend on for information are ceasing (just when the clamor for more local food production is higher than ever before). Once the state stops funding research, of course, the land-grant matches from the federal government will cease, our land grant will be in

peril, and our university as well. Having about two-thirds of the match funding chopped is a pretty significant cut. This amount is ~\$1,851,000.

I am perfectly willing to have a smaller Permanent Fund Dividend to support the university. My husband and I have been contemplating smallholding as farmers in the Ester area. While we don't make much, we own our home free and clear, along with our car. But I have seen what happens before when the price of oil drops and the legislature didn't have the Permanent Fund: huge swathes of the population left Alaska, followed by an economic crash. Then, the university was an enormous economic driver in the Fairbanks area. Please protect it.

Sincerely,

Deirdre Helfferich
3717 Quartz Road
Fairbanks, AK 99709
907-479-3368

--

Daniel George

From: Faith Lee <faithlee57@outlook.com>
Sent: Friday, February 26, 2016 2:48 PM
To: Senate State Affairs
Subject: Alaska Constitution

Follow Up Flag: Follow up
Flag Status: Completed

As we look at the budget crisis let us remember that public education is a top priority for Alaskans and our future. I know that our PFD is important but not as much as our future. Cuts here in my community to schools will result in reduction of teachers, higher PTRs and non basic education opportunities will only be available to families who have the financial resources to pay for them in the private sector. Once again we widen the divide from those who have and don't have. Often school is the most safe and supportive environment that kids have. I have watched as society has placed so many aspects of social type responsibilities to the schools. One kindergartener had one objective to learn that year....the one main thing.....take your heart medicine everyday so you can live.....not her abc's but to even come to school to learn that she first had to be responsible at age 5 to remember the life saving medication that she would need everyday to even breathe. When I went to school that would have been part of the home life not the school. Let's remember that every cut will have a ripple effect on our most vulnerable population..... very young at risk children in all aspects of their life as society has now pinned these huge responsibilities on social service and schools.

A grandmother,

Community member

and mostly a Proud Alaskan.

Faith Lee

142 Wolff Drive

Sitka, Ak 99835

Daniel George

From: Ken Petty <kenpetty@gci.net>
Sent: Saturday, March 12, 2016 1:10 PM
To: Sen. Bill Stoltze
Subject: SB128, SB114

Vote NO on SB128 and SB114. Do NOT touch the Permanent Fund, it's earning or the PFD. Period.

Ken Petty

kenpetty@gci.net

Daniel George

From: POMS@akleg.gov
Sent: Monday, March 14, 2016 12:32 PM
To: Daniel George
Subject: New Pom:SB 114 Perm Fund: Earnings, Deposits, Accounts

Cynthia Rapp
Po Box 2213

Palmer 99645-2213,
sonny56@gci.net

I don't believe that it is time for you to even consider entering into the PFD fund until every resource has been looked into firmly. Cuts from the top to the bottom. People with disabilities have been cut since 1990, enough is enough.

Public Opinion Message

Received Monday, March 14, 2016

Taken By: Daniel George, Staff to SSTA Committee

Name: Cynthia Rapp

Phone: N/A

Address: Palmer / Butte Area

Message: (Verbatim transcription, read-back to verify accuracy.)

“I am opposed to SB 114. My opinion is that the last 5-10 years we’ve had a hard time balancing the budget. Nothing has been changed that I can see to bring in higher income for the state. They’ve been robbing Peter to pay Paul. As a person with a very tight budget, I don’t spend if I don’t have it. I make sure that I have savings for a rainy day—I don’t see this in the House or the Senate, or the state government as a whole. It’s not as though you haven’t known that you have a shortcoming. Now, you’re grasping to tax this and tax that, take away this, take away that. It doesn’t make sense. Why take away the biggest asset the state has—when you take it, it’s gone. Last statement: when they devised the PFD to last for years for the state of Alaska, the state had royalties paid to it yearly by the oil companies, that’s what we did our budget on. Why didn’t they start their own PFD to do state funding on in a rainy day? I am opposed to SB 114. Once the PFD is gone, it’s gone. Sure, you’ll have a little bit of a PFD in SB 114, but it’ll soon be gone. It was devised for the people, and only for the people.”

Daniel George

From: John Nelson <nelsonjt99@hotmail.com>
Sent: Wednesday, February 17, 2016 1:58 PM
To: Senate State Affairs; John Nelson
Subject: Tax debate to balance the budget..HAHA

Follow Up Flag: Follow up
Flag Status: Flagged

February 17, 2016

From: John T. Nelson

2135 E Wolverine Cir

Wasilla, Alaska 99654

907-376-8949

To: Senate.State.Affairs@Akleg.gov Fax # 907-465-4928

Reference: Debate about using the PFD, and income tax... to balance the budget.

To Whom ever will listen or read this address,

You are attempting to use the PFD to balance the budget. **You are so vile and evil that it transcends even the basic level of honest government.** In the mid-80's...oil was down to \$5.00 a barrel and Alaska went without income tax and without destroying the PFD. And ever since the mid 80's the state government has not had any leadership to set up any responsible government spending plan and now that things are so bad you want the "ok" to tax the population into submission **because you do not do your job, a job that you are elected to do and are paid handsomely and with great benefits as well.**

Let's face it, Begich left Anchorage in the toilet financially by hiding the true cost of government cost from the assembly for political reasons and aspirations, **it appears that plan was adapted by the last governor and legislature** to over spend by three billion plus and then the current administration is wanting to cry and beg for permission to steal more from state protected coffers.

HELL NO! NOT ONLY HELL NO! BUT HELL, HELL, HELL NO!

You stop being such a stupid ass and stop this "squandering and political agenda" out of control spending!

First you demand through **color of law** to require Alaskans to give to the Federal government income taxes on that money recieved from the PFD. **The PFD is not taxable by the federal government.** The Supreme Court has said

so in six cases. Look at, Towne v Eisnor, Eisnor v Macomber, Maryland v McCulloch, Farrington v Tennessee, Farmers' and Mechanics' Bank v Deering, Halvering v Edison Bros. Stores.

In Eisnor v Macomber the SCOTUS said this "having regarded to the very truth of the matter, to substance and not to form, the stockholder has received nothing that answers the definition of income within the meaning of the Sixteenth Amendment.... Thus, from every point of view we are brought irresistibly to the conclusion that neither under the Sixteenth Amendment nor otherwise has Congress power to tax without apportionment a true stock dividend made lawfully and in good faith, or the accumulated profits behind it, as income of the stockholder. The Revenue Act of 1916, in so far as it imposes a tax upon the stockholder because of such dividend, contravenes the provisions of article 1, 2, cl. 3, and article 1, 9, cl. 4, of the Constitution, and to this extent is invalid, notwithstanding the Sixteenth Amendment".

Go figure, \$2,070 per citizen x 750,000 citizens x 10% federal tax...that equals...\$155,250,000.

If you are going to steal and I know you already have plans in place to do it without the citizens approval...at least take it away from the federal government...repeal AS 37.13.180 and use it for Alaska by putting it into a 25% emergency fund. At least the citizens would not be duped into believing that the Federal government can tax it.

First of all, you are responsible for "responsible and fiscal sound planning", and that duty has apparently has been thrown out the window in favor of putting money in your re-election campaign and other corrupt activities. State revenue levels are just fine as they are, its your apparently lack of fiscal responsibility that needs to be balanced in relation to income.

The fund belongs to the people of this state and was created by a constitutional amendment to ensure mega irresponsible government doesn't spend beyond its means. What is going on here **is an attempt by the leadership to "RAID THE FUND"** and steal as much as possible under their guidance. CORRUPTION AT THE HIGHEST LEVELS OF GOVERNMENT!!!

To correct this malfeasance the budget must be aligned with the income of the State. Take the income for each of the last 10 years (without including the PFD). Get the average of that income over those years and subtract 25%. That 25% goes into an emergency fund for things like earthquakes and other major calamities (or just use the PFD non-federal taxing plan mentioned above). The rest, 75%, funds the government. Start with the infrastructure and budget that first. Then what ever is left over, that can be allocated on an as need basis. When all the money for that budget year has been spent, government takes a holiday and goes to three day a week. If the budget spending continues to exceed the budget income allowance, **the money comes out of the legislature and executive office payroll, benefits and retirement funds. This should make sure the elected will get the budget aligned with income.**

Income taxes should never be considered period. It only takes away the local population's free income, that income which is left after basic living expenses such as housing, health and food are paid for, and that **hurts the local economy**. The government cannot and will not be held accountable for the waste that it requires to function.

So basically, **an income tax is just government squandering at its worst just to get re-elected so to allow for more squandering.**

John Nelson