



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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March 3, 2020

The Honorable Neal Foster
Co-Chair, House Finance Committee
State Capitol, Room 505
Juneau, AK 99801

The Honorable Jennifer Johnston
Co-Chair, House Finance Committee
State Capitol, Room 511
Juneau, AK 99801

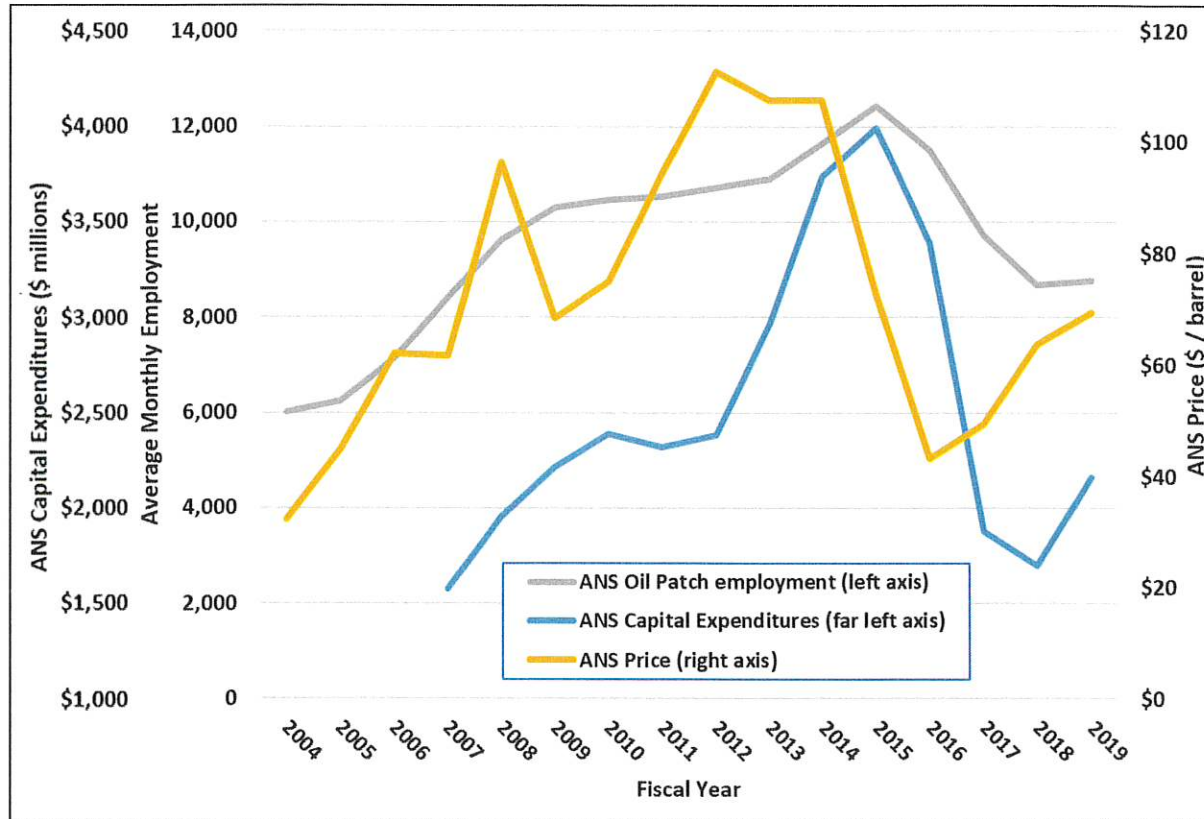
Dear Co-Chairs Foster and Johnston:

The purpose of this letter is to provide you with a response to a question asked of the Department of Revenue (DOR) regarding the presentation to the House Finance Committee on January 23, 2020. Please see the question in italics and our response immediately below the question.

1. Provide a chart comparing capital expenditures, employment, and oil prices for Alaska's North Slope.

The following chart compares ten years of data regarding North Slope capital expenditures, Alaska North Slope (ANS) oil prices, and North Slope "oil patch" average monthly employment as provided by the Department of Labor. Note for this chart, capital expenditure data is available from FY 2007 onward only. Also, oil patch average monthly employment numbers have been converted to fiscal year by averaging two calendar years.

Clearly, there is a correlation between oil patch employment, oil price, and capital expenditures. Causation, however, is difficult to determine as there are myriad other factors at play. Some of these factors may include presence of suitable projects for investment, fiscal regime, company expectations for future price, and the time lag between variables. Given the correlation, what we stated during the hearing is still valid: forecasts of higher capital expenditures give reason for near-term optimism about oil patch employment.



I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

Michael A. Barnhill
Deputy Commissioner, Department of Revenue