

**ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE**

January 29, 2019
1:31 p.m.

MEMBERS PRESENT

Senator Lora Reinbold, Chair
Senator Mia Costello, Vice Chair
Senator Click Bishop
Senator Chris Birch
Senator Elvi Gray-Jackson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION: Department of Labor and Workforce Development,
2019 Alaska Job Forecast and Outlook

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

TAMIKA LEDBETTER, Commissioner Designee
Department of Labor and Workforce Development
Anchorage, Alaska

POSITION STATEMENT: Introduced DOLWD presenters of the 2019
Alaska Job Forecast & Outlook presentation.

DAN ROBINSON, Chief
Labor Research & Analysis
Department of Labor and Workforce Development
Juneau, Alaska

POSITION STATEMENT: Participated in the 2019 Alaska Job Forecast
& Outlook presentation.

PALOMA HARBOUR, Director
Administrative Services Division
Department of Labor and Workforce Development

Juneau, Alaska

POSITION STATEMENT: Participated in the 2019 Alaska Job Forecast & Outlook presentation.

ACTION NARRATIVE

[1:31:20 PM](#)

CHAIR LORA REINBOLD called the Senate Labor and Commerce Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Costello, Birch, Bishop and Chair Reinbold. Senator Gray-Jackson arrived as the meeting was in progress.

^Presentation: Department of Labor and Workforce Development, Alaska Job Forecast and Outlook

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CHAIR REINBOLD announced that the only order of business would be a presentation on the 2019 Alaska Job Forecast and Outlook by the Department of Labor & Workforce Development.

She welcomed Commissioner Designee Tamika Ledbetter to testify.

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SENATOR GRAY-JACKSON joined the meeting.

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TAMIKA LEDBETTER, Commissioner Designee, Department of Labor and Workforce Development (DOLWD), introduced DOLWD's staff, Dan Robinson, Chief, Labor Research & Analysis and Paloma Harbour, Director, Administrative Services Division. Commissioner Designee Ledbetter indicated she would need to leave the meeting shortly.

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DAN ROBINSON, Chief, Research & Analysis, Department of Labor and Workforce Development, began the presentation by informing members that the main function of the Research & Analysis section is to produce statistics in conjunction with the federal government. He emphasized that his non-partisan group's value is to provide an understanding of the data, including drivers of what has been happening.

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MR. ROBINSON turned to slides 1-2, titled "Three Things to Know about Alaska's Economy Heading into 2019." He stated that since

late 2015 the state has been losing jobs and has been in an economic downturn.

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MR. ROBINSON reviewed slide 3, titled "After 3+ years of losses, modest growth forecasted in 2019," and briefly discussed the bar graphs that highlight Alaska Employment Growth 2007-19. The figures represent an average monthly job count over the total year. In 2007, the state added one percent or 3,000 jobs to the 320,000 total jobs in Alaska. Although the U.S. "great recession" in 2009 did not affect Alaska much, Alaska's economy is currently struggling a bit, he said. He reported that in 2013-15 Alaska experienced weak growth and during 2016-18 the state suffered deep losses when oil prices plunged to \$28 per barrel. These losses diminished in 2017 and 2018 and the 2019 forecast is for a 0.4 percent growth. In response to Chair Reinbold, he agreed one percent equaled about 3,100 jobs.

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MR. ROBINSON turned to slide 4, titled "Assessing the damage," and said that in terms of the timing of losses, the state was below employment levels in October 2015, but by December had piled up 39 consecutive months of job losses, with a cumulative total loss of 12,700 jobs since 2015, or 3.7 percent of the pre-recession total. He pointed out this does not come close to the job losses Alaska suffered in the 1980s with job losses of 21,000 or 9 percent. He commented that job losses were nearly twice as bad in the 80s.

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MR. ROBINSON turned to slide 5, titled "Biggest losses in oil, professional and business serv., state government and construction," noting the losses by industry jobs. Between 2015-18, high-wage oil and gas industry dropped by nearly 5,000. In 2015, the oil and gas industry paid out about \$2.3 billion in wages but by 2017, oil and gas wages dropped to \$1.3 billion. Meanwhile professional and business services, which includes professional engineers and geologists, were adversely affected not only by a downturn in oil and gas, but by dramatically reduced state capital budgets. State government lost 2,300 of its 23,000 jobs and construction followed with 2,100 lost jobs.

He indicated some sectors experienced job growth, such as health care, hospitality and tourism, and local government. Between 2015-2018, the health care industry added 4,000 jobs. He reported that the health care industry has been a long-standing growth industry in Alaska, adding more than 10,000 jobs in the

last decade. In addition, the leisure and hospitality sector, including restaurants, bars and hotels, has had positive job growth and the tourism industry looks positive for the next few years, he said.

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MR. ROBINSON turned to slide 6, titled "Less health care growth forecasted ... but we've thought that before," and cautioned that even though it seems like the health care growth is ending, that it declined in 2014 and then rose between 2015-17. He acknowledged that the 2016 Medicaid expansion has had an impact. He predicted mild growth of 1.3 percent in 2019.

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CHAIR REINBOLD asked how specific figures related to the percentages.

MR. ROBINSON clarified that the graph on slide 6 provides the percentage of change in the number of jobs from year to year. In 2009, for example, a five percent increase of the 30,000 total health care jobs equals 1,500 jobs, he said.

CHAIR REINBOLD suggested that one percent might relate to different figures on different slides in his presentation.

MR. ROBINSON agreed that the percentage of change relates to specific changes in the overall base. He said he reports either numbers or percentages and sometimes it is difficult to know which will be more helpful to report. He offered to provide data in a different format if the committee so desired. In further clarification, he said Ms. Harbor explains that the 1.3 percent projection for 2019 translates to 500 additional jobs.

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MR. ROBINSON turned to slide 7, titled "Job gains/losses have varied throughout the state," stating that some areas of the state have done better than others. He reviewed statistics in employment changes between 2015-18 by location. He noted that plenty of North Slope workers live in the Mat-Su, Kenai, or Fairbanks. The high-wage jobs that are lost affect the area where workers live. During 2015-2018, the Matanuska-Susitna Borough (Mat-Su Borough) had job gains of 3.4 percent whereas some areas had job losses, including reductions of 3.9 percent in Anchorage, 2.5 percent in Juneau and 2 percent losses in Fairbanks. He said the increases in the Yukon-Koyukuk is not due to [private sector] wage and salary jobs but increases in local government. Of the 700 increased jobs in Mat-Su, 450 were health

care jobs, 100 related to construction, and some were local government jobs, he said.

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CHAIR REINBOLD asked him highlight Bristol Bay and the North Slope.

MR. ROBINSON replied than any area dependent upon fisheries tends to swing. He suggested that in Bristol Bay, either 2015 was weak and 2018 was an especially strong year, or the timing of the fisheries changed. This does not mean that the area experienced economic growth but merely reflects that fisheries fluctuate from year-to-year, and over time are stable. He explained that slide 7 illustrates that during 2015-2018 the state experienced different levels of distress by location. However, he did not delve deeply into the reasons for the specific fluctuations. He emphasized that no area of the state escaped economic effects.

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CHAIR REINBOLD asked for further clarification on the 26.1 percent reduction of jobs on the North Slope.

MR. ROBINSON answered that this slide shows a percentage of change in Bristol Bay, the Yukon-Koyukuk and the North Slope. In further response to Chair Reinbold, he agreed that the North Slope had significant job losses of nearly \$1 billion.

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MR. ROBINSON turned to slide 8, titled "The details of our 2019 forecast." The forecasts in 2019 for several industries is projected to grow, including actual growth during 2017-2018 in the construction and oil and gas industries.

He turned to slide 9, titled "Fairbanks will be a bright spot," and highlighted one clear positive in 2019 is Fairbanks. The biggest contributing factor will be the arrival of [two F-35 Lightning II fighter jet squadrons] with an anticipated \$500 million in construction spending, 900 new off-base housing units, and 3,000 military personnel [at Eielson Air Force Base]. He said there will also be some additional activity at Clear Air Station and Fort Greely.

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MR. ROBINSON turned to slide 10, titled "for much more detail (including Anchorage and Southeast forecasts)," and invited members to refer to the Alaska Economic Trends. He turned to

slide 11, titled "Second ...," which stated that Alaska has been losing jobs since late 2015 and more people have left Alaska than have moved here for six straight years. He stated that this has never happened before. He turned to slide 12, titled "Net migration losses of 35,000+," and pointed out from 2013-2018 the state has had 35,000 more people leaving the state than relocating to Alaska. He reviewed the slide that showed fewer people leaving Alaska in 2018 than in 2013, but what has resulted in net migration losses is that fewer people are moving to Alaska. For example, in 2018, 38,630 people moved to Alaska as compared to 50,626 moving to Alaska in 2013.

MR. ROBINSON turned to slide 13, titled "The long view of Alaska migration flows," which showed the population change for Alaska 1947 to 2018. He stated that the state's population has been stable during a period of job loss, which is one reason the housing market has held up as well as it has. He referred to the graphics on the slide, noting that the blue line shows the natural increase over time. He said this slide shows the migration trends in and out of the state, including the effect of military, pipeline construction, and base closures. He pointed out that the chart shows the six years of Alaska's recession and gives the numbers context, noting that the population losses are not insignificant ones.

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PALOMA HARBOUR, Director, Administrative Services Division, Department of Labor and Workforce, said there is an impact to Alaska's population based on how Alaska is performing in comparison to the rest of the U.S. Currently, the national economy is healthier than Alaska's economy and Alaska is not attracting people. During the U.S. recession it was just the opposite and more people moved to Alaska.

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MR. ROBINSON said the DOLWD has found people move for a variety of reasons, but the main reason people move is for jobs. For example, out migration was low in 2010. People who reside in Alaska tend to look for jobs in Alaska, she said. Currently, people in the Lower 48 who have always wanted to live in Alaska can research Alaska's [sluggish] economy and based on their findings be less likely to move to Alaska. The relationship between Alaska's job market and the U.S. job market is often similar; however, plenty of times Alaska's economy has been strong and the U.S. economy has been weak or vice versa.

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MR. ROBINSON turned to slide 14, titled "Migration's a bigger factor here than in other states," stating that this slide depicts that migration is a factor in Alaska more so than in other states. This slide covers a 26-year period and shows that Alaska has had a larger gross migration flow than any other state. Michigan, Ohio, and California fall below 4 percent migration flow, but Alaska leads at 12 percent, so migration affects Alaska more, he said. He related some reasons Alaska attracts people, but that Alaska's inclement weather can repel some people.

MR. ROBINSON turned to slides 15-18, related to net migration, beginning with "What age groups find AK most attractive?" Alaska has typically sent more college age people to the Lower 48 to school than it attracts, which has been a pattern. He reviewed the net migration by age and logical reasons for it, noting that the 15-19 age group net migration is consistently negative, and that seniors often tire of the weather and retire outside Alaska. Early 20-year-olds are attracted to hiking, fishing, hunting and adventure that Alaska offers. He turned to slide 18, titled "There's a connection here," noting that when families move it affects the parent's age group and the youth's age group. He related reasons to leave Alaska include lifestyle, the quality of Alaska's schools and crime.

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SENATOR COSTELLO asked for the agency's definition of jobs and if he considered fulltime jobs, part-time and seasonal jobs.

MR. ROBINSON answered that he defined a job as one that lasts for a full year and includes fulltime and part-time jobs.

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MS. PALOMA clarified that the DOLWD data defines a job as any job that earns salary and wages covered by unemployment, but the definition does not include self-employment or the military. The figures are averaged over 12 months, she said.

MR. ROBINSON clarified that a tourism or fishing job that lasts 3-4 months shows up in the data as one-fourth of an annualized job.

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SENATOR COSTELLO asked whether factors other than jobs affect migration, for example, crime or earthquake damage. She asked how the department determines the reason people leave Alaska and if it conducts exit interviews.

MR. ROBINSON said the United Van Lines has conducted studies for over forty years, although its survey did not include Alaska or Hawaii. The study categorized reasons people move ranked in order of jobs, retirement, and lifestyle, which includes crime and education, family, and health. The department does not know for certain why people move to or from Alaska, but the agency does look for patterns.

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MS. PALOMA suggested that the age range may provide a better indicator.

MR. ROBINSON agreed.

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SENATOR COSTELLO asked him to explain the comment that the aging population is the largest growth when he mentioned many seniors leave Alaska.

MR. ROBINSON said the senior population tend to be baby boomers who came to Alaska in the 70s and 80s for high wages and pipeline jobs. He said many of them are "aging in place" and these seniors staying in Alaska represent the larger determining factor for the age group.

SENATOR COSTELLO, referred to the nursing shortage, and asked him to predict health care jobs.

MR. ROBINSON agreed that health care will continue to lead the job growth, noting home health aides are projected to grow faster than other occupations.

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SENATOR BISHOP pointed out that the Alaska Workforce Investment Board provides information to the department to analyze.

MR. ROBINSON said that plenty of foundational information and data support the DOLWD's forecast. He said the department can provide concrete information on how many jobs are in Alaska and how much Alaska employers paid out in wages, but it cannot definitively identify the reasons people stay in the state.

MS. PALOMA said the agency performs a 10-year projection by industry and occupation in its research and analysis section, which considers the state's aging population and how that

affects health care employment. She referred to the October 2018 Trends for more details.

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MR. ROBINSON turned to slide 20, titled "Last three years of job growth by state," and said that Alaska has lost more jobs as a percentage of its total than any other state. He reviewed other states that are close to Alaska's statistics, including other oil states such as North Dakota and Wyoming.

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MR. ROBINSON turned to slides 21-24, titled "There's more going on than oil," that indicates Alaska's total employment gains and losses during 2015-18. He highlighted the recession in 2015 and noted that in 2016 Alaska was still losing jobs. He compared those statistics to North Dakota [slide 22], whose six percent of losses were significantly greater than Alaska's, but that state has seen growth in 2018, which he thought might be due to agriculture or other factors.

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SENATOR COSTELLO, referred to slide 20, and said she was more interested in the states that are doing well. She asked why Nevada, Utah, or Idaho have such a high percentage of job growth and if he could talk about the effects technology or permitting has on growth.

MR. ROBINSON said he did not completely understand the trends, but some positive patterns exist for inter-mountain states, including Utah, Idaho, and Colorado, which is likely due to technology and quality of life. Other states were affected by the "Great Recession," including Nevada, Florida, and Arizona, but these states have had a robust rebound. He agreed that studying "what is working" is smart but he also recognized that business cycles happen, and other factors may also affect the economy.

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MR. ROBINSON turned to slide 23, titled "There's more going on than oil," and provided a broad overview of Wyoming's economy. He said that Wyoming lost a higher percentage of its jobs than Alaska did, but Wyoming's recession is now over, and its economy has been growing at 2.5 percent. Wyoming has fewer people and less oil production than Alaska, while Oklahoma, with 2.5 million people, had a more diverse economy and its economy has been growing since early 2017.

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SENATOR COSTELLO asked if there was any truth to the rumor in the Lower 48 that Alaska lags in economic trends.

MR. ROBINSON replied that is not true. In early the 80s Alaska's economy was booming but the U.S. was in a deep recession whereas in the late 80s, the trend reversed. He said the best response is to understand different drivers exist and oil prices are relevant. Alaska struggles when oil prices are low, but it does well when oil prices are high, which is the opposite for states in the Lower 48.

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MR. ROBINSON turned to slide 25, titled "A study of state-level recessions" and to pie chart that showed an average for all states from 1961-2016, titled "How Long Job Loss Lasted," He reviewed the percentages and duration of job losses, noting that 17 percent of the time the duration was less than a year, 60 percent of the time the duration was 1-2 years, and 7 percent of the time the recession lasted 3-4 years. He said Alaska is currently experiencing a recession that in 93 percent of the time would have been over. He stated that recessions rarely last more than 4 years.

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MR. ROBINSON turned to slide 27, titled "A study of state-level recessions." He said that this chart shows that economies historically tend to grow as measured by job growth. Almost 90 percent of the time as a state Alaska has been growing. He briefly mentioned growth in other states as a comparison. He said typically some shock will happen, the economy will absorb the shock, and economic growth resumes.

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MR. ROBINSON turned to slides 28-31, titled "So why is our recession lingering?" He reviewed the three reasons as listed on slide 31, which read as follows [original punctuation provided]:

- Uncertainty related to foundational questions about the amount of state government we're going to have and how we're going to pay for it.
- Economic impact of the measures already taken.
- Additional costs that appear likely in our near future.

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SENATOR COSTELLO asked him to walk the committee through the \$1.6 billion in state budget cuts assuming it would all go towards dividends.

MR. ROBINSON answered that he was not the best person to answer the question. He said the best data he has seen on that topic was done by the [University of Alaska (UAA) Institute of Social and Economic Research (ISER)] a few years ago to show the short-term economic impacts of the various options, including uncertainty ranges and the effect on peoples' behavior for decisions related to taxes, cutting the budget, or changing the permanent fund. The link can be found at: https://iseralaska.org/static/legacy_publication_links/2016_03_30-ShortrunEconomicImpactsOfAlaskaFiscalOptions.pdf.

SENATOR COSTELLO said an economist came before the committee last legislature and shared those questions, but she thought that was a different environment and at the time the committee was weighing options. Currently, the state is considering a \$1.6 billion reduction. She suggested that perhaps Mr. Robinson could return once the governor's budget is released to help explore options.

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MR. ROBINSON responded that he did not think he would be the right person to do so. He related that there was not a talk of a \$1.6 billion cut at the time the DOLWD did its forecast because it would have affected the figures and growth. He suggested that the basic question would be to ask what happens with the \$1.6 billion and if the cuts are to be phased in. He said if the legislature were to cut \$1.6 billion from the budget that the state would not experience any growth in 2019.

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MS. PALOMA indicated that the department has some data it can share to help inform economic analyses, but she serves on groups that tend to do more of the scenario-driven analysis.

MR. ROBINSON acknowledged that some of the models are complicated, but it is important to keep in mind that models are simplifications. He agreed the proposed \$1.6 billion budget cuts would affect the 10-year forecast, but the issues are complicated. He characterized it as sophisticated modeling, noting that it shows the effect of taxes on incentives. He acknowledged that the permanent fund is unique to Alaska.

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MS. PALOMA said that obviously a state budget cut would affect the state employment projection, but what has been articulated in the past is that every option has an economic impact, including implementing taxes or adding more funding to permanent fund dividends (PFDs). Whatever option the legislature or administration moves forward will have an impact and it will not be easy to predict the outcomes.

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SENATOR BISHOP referred to slide 3, and said between 2007-15, not only were oil prices good, but the state enjoyed robust capital budgets and deferred maintenance. He said it takes 10 years in Alaska but only 60 days in North Dakota from inception to oil well production. He further stated that North Dakota has oil wells on private land and does not have stringent environmental policies to follow, noting the policies mean the wells are done and done right. It means that North Dakota can take advantage of a spike in oil prices and ramp up faster.

MR. ROBINSON agreed it was a good point.

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SENATOR BISHOP added a footnote. The North Slope had some lateral transfers within the oil industry. Alaska used to be known as the best place to work since it had a large wage package but that is no longer true plus energy costs and other factors enter the equation.

MR. ROBINSON agreed the wages in 80s were high. He said one of the reasons he is bringing up net migration is that it will affect perception for a long time. He recalled when lived in NYC that Central Park was safe, but he was stuck in his childhood remembrance of it being a crime-ridden and unsafe place.

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CHAIR REINBOLD recalled he mentioned 23,000 state jobs and asked whether that included the university system and state corporations.

MR. ROBINSON answered yes.

CHAIR REINBOLD noted that the state operating budget, the supplemental budget and the Mental Health Trust budget totals about \$12 billion. She pointed out that the DHSS budget [to serve] 267,000 people is roughly \$2.3 billion, which is ultimately paid for by the private sector through municipal,

state, and federal taxes. She asked what type of economic calamity will happen if the government does not cut \$1.6 billion from the state budget.

MR. ROBINSON responded that she raised a key question. He said recessions linger when states are going through something that will be permanent and provided some examples. He cautioned that any substantial funding cut from the state's operating budget will likely be gone for good. As an economist, he hoped the state would emerge from this downturn with a whole lot more stability going forward. If not, he predicted that the state would pay for some of the uncertainty-related costs.

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CHAIR REINBOLD offered her belief that crime is out of control in Alaska and costs Alaskans hundreds of millions of dollars. She has seen people post on social network sites that "they're outta here." She suggested people are less likely to come to Alaska if it is considered the most dangerous state per capita in the nation. She offered her belief that military upsizing and downsizing is significant, noting that in her district about 1,000 military members move in or out [each year]. She recalled research that extrapolated that each oil and gas job would contribute an equivalent of eight teacher salaries.

MR. ROBINSON said he also has seen those studies. He acknowledged that people need to understand what brings money into the state. He related that in conversations about health care growth he often contrasts a new hospital as opposed to a new mine or a new military installation. A new military installation brings new money into the state. A hospital helps Alaska's population to be healthier and provides services that Alaskans otherwise would need to travel to Seattle to receive. He referred to it as import substitution. He concurred that it was important to keep an eye on the goods and services Alaska sells to the national and international economies, including oil, minerals, seafood products, tourism, and military capacity. He stated that part of the reason Alaska has the big migration flows is because Alaska has a disproportionately large military that comes and goes more frequently.

CHAIR REINBOLD said the military represents only about one percent of the U.S. population so it did not seem to be significant.

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SENATOR BISHOP asked whether it would be safe to say that global geopolitical actions are deterring Alaska growth, such as trade sanctions with Russia on Alaska seafood, the tariffs on China's goods.

MR. ROBINSON said those types of things create uncertainty, including the government shutdown, and businesses do not like uncertainty so introducing uncertainty adds cost and whether those costs are worth it is a policy question. He reiterated that economically speaking uncertainty brings costs.

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CHAIR REINBOLD discussed upcoming committee announcements.

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There being no further business to come before the committee, Chair Reinbold adjourned the Senate Labor & Commerce Standing Committee meeting at 2:41 p.m.