SENATE FINANCE COMMITTEE
March 31, 2021
9:03 a.m.

9:03:04 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson (via teleconference)
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Natasha von Imhof

ALSO PRESENT

Dan Robinson, Chief of Research and Analysis, Department of Labor and Workforce Development.

PRESENT VIA TELECONFERENCE

Mouchine Guettabi, Associate Professor of Economics, Institute of Social & Economic Research, University of Alaska.

SUMMARY

^PRESENTATION: ALASKA'S ECONOMY

9:03:24 AM

Co-Chair Stedman relayed that the committee would broadly discuss the issue of COVID-19 and its effects on the economy.

9:04:21 AM

MOUCHINE GUETTABI, ASSOCIATE PROFESSOR OF ECONOMICS, INSTITUTE OF SOCIAL & ECONOMIC RESEARCH, UNIVERSITY OF ALASKA (via teleconference), discussed the presentation "COVID-19 and the Alaska economy" (copy on file).

Mr. Guettabi stated he would discuss broad economic effects of the COVID-19 pandemic.

Mr. Guettabi looked at slide 2, "Outline":

> What do we know about the current state of the economy?
>> Employment
>> Personal Income
>> Gross Domestic Product
>
> What do we know about the Federal Aid and its impact(s)?
>> Direct Aid to households by round
>> Spending
>> How many jobs has PPP saved?

9:05:44 AM

Mr. Guettabi spoke to slide 3, "Summary":

- The pandemic related job losses are still significant. In February 2021, there were 22,400 fewer jobs than in February 2020.

- The job losses vary by region, income group, sector, and even within sector. In my forecast, I detail my analysis on the sector specific effects of the pandemic.

- While the job losses have been significant, personal income has actually increased in 2020. This is largely due to the significant transfers from the Federal government. Personal income was 1.4 billion dollars higher than in 2019.

- Gross Domestic Product decreased by 2.6 billion dollars or 4.9% between 2019 and 2020.

Mr. Guettabi noted that slide 3 summarized some findings before the presentation went into greater detail in forthcoming slides. He summarized that the labor market was considerably weaker than it was one year previously. He emphasized the second bullet point, and that there was great variation in "economic pain" between groups. He noted that the slide showed links in blue that would lead to detailed economic forecasts.

Mr. Guettabi emphasized that personal income in 2020 was higher in every state in the country because federal transfers dwarfed losses observed in the labor market. He noted that gross domestic product (GDP) declines were in every sector.

Mr. Guettabi referenced slide 4, "Summary":

- It is near-impossible to isolate the effects of the individual transfers and assistance programs.

- We do, however, have findings from research on the effect of the stimulus payments, and on the Payment Protection Program.

- There are many aspects of the third round of stimulus that have yet to enter the Alaska economy.

Mr. Guettabi had heard from a previous committee meeting that there was interest in economic effects of specific programs. He qualified that even those with access to granular data had problems with isolating the effects of individual transfers and assistance programs implemented in the previous year. He thought most of the funding from the third round of stimulus payments had not made its way into the economy.

9:10:24 AM

Mr. Guettabi turned to slide 5, "Percentage change in employment by sector in Alaska," which showed a series of fourteen graphs showing changes in employment by sector relative to the same month the previous year. He summarized that the Covid-related recession had wreaked havoc on every sector of the economy. He highlighted that the 'Leisure and Hospitality' graph showed significant job shedding in that sector. He noted that the oil and gas sector had also shed a considerable number of jobs. He cited an almost 4,000-job decrease in oil and gas jobs from the same time the previous year. The only sector that saw improvement and approaching pre-Covid levels was 'Educational and Health Services,' which he attributed mostly to healthcare.

Mr. Guettabi continued to address slide 5. He expressed that in some sectors, in may seem that the declines were getting smaller. He thought it was important to note that Alaska's economy was very seasonal, and during the summer there were typically 15 percent more jobs. He noted that job losses were larger over the summer, and then looked smaller after the summer season. He thought job losses would balloon again in sectors that were sensitive to tourism. He explained that when looking at just employment, it was hard to see signs of recovery in the labor market.

Senator Wilson asked if Mr. Guettabi could explain the difference between government, state government, and federal government services as shown on the slide.

Mr. Guettabi affirmed that the 'Government' was the sum of federal, state, and local governments. He explained that he combined the groups to show how governments were behaving as a group.

9:14:41 AM

Mr. Guettabi considered slide 6, "Regional employment," which showed a series of six graphs showing the percentage change in employment by region. The slide used information from the Department of Labor and Workforce Development (DLWD). He noted that there was variation in job declines in different areas. He pointed out that the apparent decline in job loss in Southeast was disingenuous because it merely reflected a change in season. He reiterated that job losses would grow again if another tourism season was missed due to the pandemic.

Mr. Guettabi noted that even within region, there was significant variation. He used the example of the North Slope and the Northwest Arctic Borough, the former of which had fared much worse. The numbers were aggregate but reflected what industries existed in the communities and how much exposure the industries had to the shock of declines in spending, closures, and decline of oil prices. He noted that the labor market was not showing signs of recovery but there were differences in sectors reflected in the numbers.

Mr. Guettabi displayed slide 7, "By borough," which showed a bar graph entitled 'Percent unemployment change relative to previous year using September data.' He explained that the purpose of the graph was to show variation in areas. He thought the slide illustrated that no two places were experiencing the recession the same way. He mentioned Denali and Skagway, and the lack of tourism that had caused significant drops in employment. He cited that as of the previous September, Alaska was about 11 percent below previous year's employment levels. He continued that about half of the boroughs were doing worse than the state, and about 9 or 10 were doing a little better than the state.

Co-Chair Stedman noted that the Ketchikan Gateway Borough had about the same amount of cruise ship traffic as Skagway, yet had a bigger population and more diversified economy, so there was an observable difference of 24 percent compared to 60 percent unemployment change, respectively. Juneau had a similar amount of cruise ship traffic but had an even larger economy than Ketchikan, and there was only a 16 percent reduction.

9:19:03 AM

Mr. Guettabi highlighted slide 8, "Initial claims," which showed a bar graph. He explained that the slide pivoted to statistics in order to show the vulnerability of the Alaska economy to the COVID-19 recession. The data was based on new unemployment claims filed. He pointed out the very large increase near the end of March 2020, when there were almost 15,000 claims. The number of new claims filed was dropping, but the number of claims was still at an elevated level. He directed attention to the bottom right of the graph, which showed current claims at about 3,300 initial claims being filed. He summarized that the state had about four times the number of claims filed than before the pandemic. He thought the state had left the peak of the recession but there was still pain in the economy.

Mr. Guettabi thought that since there were new claims being filed, it was a reflection of people being let go or people newly filing for the unemployment claims. He highlighted two vertical lines that showed the first and second rounds of federal stimulus payments.

Senator Wilson asked if Mr. Guettabi knew the reason behind the peaks on the graphs. He asked if the data was from quarterly reports and if companies were being more cautious during certain time periods shown on the chart.

Mr. Guettabi stated that the data was from weekly reports. He noted that there had been difficulty in processing all the claims, and there was a little seasonality reflected in the graph. He mentioned there were quite a few factors that explained the peaks such as federal boosts in unemployment insurance payments and waives of layoffs. He mentioned the seasonality of the economy.

9:23:15 AM

Mr. Guettabi looked at slide 9, "Continuing claims," which showed a bar graph. He qualified that the graph did not account for new claims being filed, but rather people continuing to receive unemployment insurance payments. he noted that the graph had a similar pattern to that on the previous slide. He noted there were about twice as many claims shown as prior to the pandemic. He considered what catalyst would result in the state getting back to pre-pandemic levels. He thought that most of the economic drivers were struggling and considered the question of where the hiring would come from in order to get back to pre-pandemic levels.

Mr. Guettabi addressed slide 10, "Aid and job search":

> Research from the Federal reserve shows that the $600 UI benefit supplement in the CARES Act had little or no effect on the willingness of unemployed people to search for work or accept job offers.

Mr. Guettabi asserted that there had been some concern that the economy was being negatively affected by the generous unemployment insurance payments, which were thought to have disincentivized people from seeking employment. He explained that there was quite of bit of research to the contrary and pointed to a study from the Federal Reserve that showed that there was not really a negative effect of the boosted unemployment insurance payments on willingness to seek employment. He clarified that in an aggregate sense, the effect was not shown, but it did not mean there were not places that were struggling to find employees.

Senator Wilson asked if the information on slide 10 was from a nationwide study that was not Alaska-specific or industry-specific that contemplated whether the increased benefits had any effect on people's willingness to accept or search for work.

Mr. Guettabi answered in the affirmative. He affirmed that the information came from a national-level study using data from all states that was not sector-specific or Alaska-specific.

9:26:56 AM

Mr. Guettabi advanced to slide 11, "Personal Income":

> Personal income includes wages, benefits, proprietor income, dividends, interest, rent, and transfer payments like Social Security and veteran's benefits.

Mr. Guettabi noted that the slide discussed personal income for Alaska as estimated by the Bureau of Economic Analysis. He qualified that the graph on the slide, 'Personal Income in Alaska in 2019 and 2020,' included information as defined at the top of the slide. He noted that the losses in the labor market shown on previous slides was happening at the same time. He added up that the calculation included federal transfers as well as everything listed at the top of the slide. He clarified that the observation was not an Alaska-specific quirk and had been observed in every state because federal transfers (in an aggregate sense) were larger than the losses observed in the labor market through wage declines. He qualified that the summary did not conclude that everyone was doing well, it meant that in an aggregate there was more money in the system than pre-pandemic, which he thought was not very intuitive.

Mr. Guettabi looked at slide 12, "Personal Income: decomposition," which showed a bar graph depicting the dollar change in personal income and selected components in Alaska between 2019 and 2020.

Mr. Guettabi pointed out that the teal bar on the left showed the sum of the three other bars and signified the overall increase in personal income. He noted that the maroon bar on the right signified transfers and dwarfed the decline seen in wages. He clarified that the graph did not mean "all is good," but rather there was more money in the system before. He clarified that the money may or may not be going towards areas that needed it the most, and questions about targeting might arise from such a slide.

Mr. Guettabi showed slide 13, "Personal income increased in every state":

- In 2020, the increase in transfer receipts was the leading contributor to personal income growth in all states and the District of Columbia. The percent change in personal income across all states ranged from 8.4 percent in Arizona and Montana to 2.4 percent in Wyoming.

- Alaska's percentage change increase in personal income of 3.1% between 2019 and 2020 was the third lowest in the country.

Mr. Guettabi noted that slide 13 summarized the two previous slides. He cited that personal income growth in Alaska was positive but was one of the lowest in the country.

9:30:56 AM

Mr. Guettabi referenced slide 14:

> Gross Domestic Product (GDP) is the total value of all goods and services produced by economic activity in an economy. GDP is equal to the total amount of sales from Alaska businesses, minus the total non-wage input costs.

Mr. Guettabi spoke to the bar graph on slide 14, which gave a sense of the total value of goods and services produced in a state. The graph showed numbers by quarter for 2019 and 2020. He thought the graph clearly showed that the decline in GDP occurred largely in the second quarter, which saw the biggest effect of the pandemic and GDP dropped from $54 billion to a little over $45 billion. In the third and fourth quarter there was a bit of an increase, but the state was still running about 5 percent below 2019 GDP levels, which was a reflection of the value of goods and services at an aggregate sectoral level. He reminded that the data included lower oil prices, declines in food services, and other losses. He emphasized that personal income reflected the federal transfers, while the value of goods and services produced in the state did not.

Senator Wilson asked any of the drop in the GDP could be attributed to the shift from paid childcare or school to unpaid family caregivers.

Mr. Guettabi affirmed that the decline in GDP was a reflection of all the monetary transactions in the economy, which would include payment of childcare workers.

Senator Wilson asked what Mr. Guettabi projected going forward.

Mr. Guettabi stated that his employment forecast anticipated employment growth in 2021 at 2.2 percent to 2.3 percent. He did not predict GDP specifically. National numbers were showing GDP somewhere between 7 and 10 percent higher than the previous year. He cautioned that the percentage growths would be large due to starting at a low rate. He thought a GDP and employment rebound was inevitable but questioned when they would get to pre-pandemic levels. He did not see the GDP or employment levels returning to pre-pandemic levels until after 2022.

9:35:41 AM

Co-Chair Bishop commented that there were other forces at work on the GDP that were outside the control of the pandemic. He referenced construction mining jobs that were being held up by federal court rulings. He asked if Mr. Guettabi would agree.

Mr. Guettabi thought anything that would have a negative effect on the economy would be reflected in the GDP. He recalled that the economy had not been growing very fast pre-COVID-19, and there had been a recession from 2015 to 2018, and there was one year of positive growth in 2019. He agreed with Co-Chair Bishop that anything that was bringing the economy down would affect the GDP. He referenced disagreements between Saudi Arabia and Russia and driving oil futures in negative territory, which were certainly reflected in GDP.

Mr. Guettabi turned to slide 15, "Percent Change in Real Gross Domestic Product in Alaska 2017-2020," which showed a bar graph. He thought the slide summarized how the state was doing before COVID-19. He clarified that the graph showed percentage change in real dollars, which accounted for inflation. The teal bar showed the GDP declined by .9 percent during 2016 and 2017. The orange line showed that GDP grew .2 percent during 2017 and 2018. He explained that typically it was possible to see GDP change a little earlier than employment. He pointed out the fairly big downward trend after the onset of the pandemic.

9:38:47 AM

Mr. Guettabi considered slide 16, "GDP takeaways":

> Real GDP decreased in all 50 states and the District of Columbia in 2020. The percent change in real GDP ranged from -0.1 percent in Utah to -8.0 percent in Hawaii.
>
> Alaska's GDP declined by 2.66 billions dollars from 54.44 to 51.77 billion dollars.
>
> Alaska's GDP decline was the 9th most pronounced.

Mr. Guettabi clarified that most of the things Alaska was experiencing were also happening in all other states. He qualified that GDP declined in every state in the country, and personal income increased in every state. Alaska had the ninth most pronounced decline in GDP between 2019 and 2020.

Mr. Guettabi displayed slide 17, "Pandemic relief to households," which showed a table. He had summarized some numbers based on a question he had heard from the committee the previous Friday regarding federal aid, who was eligible, and how much the state received. The last column showed an estimate of how much a family of four would have received contingent upon full eligibility. He qualified that the fifth column showed the approximate amount received by Alaskans, which was his own calculation by relying on numbers from the Internal Revenue Service for the first round of payments. There was almost $600 million received in the state. He included the Permanent Fund Dividend, which had been paid out in the middle of the timeline. If a household happened to be eligible for all of the available aid and dividends, it would add up to approximately $14,000.

Mr. Guettabi pointed out that for the last round of federal stimulus, payments started to be received on March 12. He did not know how many Alaskans had received the last round of payments.

9:42:13 AM

Mr. Guettabi highlighted slide 18, "Spending," which showed a line graph. He noted that during the pandemic, there had been development of data sources not previously accessible. He cited one data source of tracking spending by household, which was anonymized credit and debit card spending in Alaska zip codes. A team of researchers had collaborated with credit card companies to gather the data. The data dashboard considered how spending by household had changed. The graph showed percentage changes relative to January 2020.

Mr. Guettabi pointed out a clear drop in spending right around March, which gradually improved. He noted that there was a fairly significant jump in household spending that coincided with the first distribution of federal stimulus payments. There was not as pronounced a jump for the second distribution. He thought it was important to note that even with all the money received by households, spending was only just getting to pre-pandemic levels. He summarized that there had been a year of below normal spending, which was a reflection of the fact that not all the money being received was going back into the economy. Federal savings rates were at an all-time high. He recalled that there had been public concern about being in shops and restaurants, which was reflected in the spending. He noted that the data was available in total for perusal at the link on the slide.

9:45:34 AM

Senator Wilson assumed people were saving money in banks and asked what the trend meant for future spending and if the trend meant there would be a quicker "bounce-back."

Mr. Guettabi thought there was evidence that savings were higher, personal income was higher, and there had been receipt of considerable dollars from the federal government. He cited evidence for pent up demand at the federal level. He thought the money would eventually make it into the economy, although it was not yet known how the money would be allocated. The previous year had seen spending trend towards goods and away from services. He thought the service industry would be the recipient of much of the funds once COVID-19 was over. He considered that the high savings rate coupled with the fact that most households (that had been able to keep employment) were in good financial shape, was good news. He acknowledged that many households were struggling and that the unemployed were in a very difficult position.

Mr. Guettabi thought Senator Wilson had made a good point and that when things reopened, there were resources to potentially give a big bounce to the service sector in particular.

Mr. Guettabi looked at slide 19, "Small Business Revenues," which showed a line graph. He noted that most of the research showed that business revenues did not show a benefit from the stimulus funds as much as overall spending. He thought it was not surprising given how patterns had shifted. He thought as people started shifting back to more normal spending patterns, there should be a recovery in business revenues. He pondered how many businesses had folded as a result of the decline in revenues, which would partially determine the pace of recovery. Less businesses would put a damper on the speed and type of recovery.

9:49:27 AM

Mr. Guettabi addressed slide 20, " Do we have evidence these payments made a difference?":

- Analysis of the first stimulus payments found a sharp and immediate response as payments started hitting bank accounts. Within the first 10 days, households spent an average of 29 cents from every dollar received. The bulk of this spending was on food, rent, and bills. When providing a detailed breakdown of how they used their checks, individuals report having spent or planning to spend only around 40 percent of the total transfer on average.

- Opportunity Insights research found that Stimulus payments increased spending substantially, especially among low-income households. But they did not lead to large gains for the businesses most affected by the crisis or to increases in employment.

Mr. Guettabi thought the slide answered some questions that had been raised. The first bullet had used anonymous checking and savings account data that was not Alaska-specific. He thought it was important to understand how people had spent stimulus money, the data was very granular. It was found that on average, people were spending 29 cents of every dollar of stimulus money in the first ten days after receipt. The data was used to analyze the first stimulus payment. The bulk of the spending was on food, rent, and bills. He pointed out that not all households were experiencing the recession in the same way, which meant that lower income households were much more likely to spend the stimulus money because of fewer cash reserves.

Mr. Guettabi advanced to slide 21, "Survey findings," which showed a chart that showed how people had used the stimulus funds. He thought the slide clarified a lot about how people were experiencing the recession. The data was from the Household Pulse Survey sourced from the United States Census Bureau. The research was an important experimental program that asked households how they were doing on a weekly basis. He drew attention to the dark blue bar, which signified people that had used the stimulus funds to mostly pay for expenses. He observed that as income went up, a larger portion of the funds went into savings. For low-income households with no cash reserves, the stimulus funds came in and went out to the economy immediately.

9:53:56 AM

Mr. Guettabi looked at slide 22, "A quick reminder on the effects of the PFD":

- Kueng (2018) finds that consumption increases by 11cents for each dollar of PFD received in October, 5 cents in November, and another 7 cents in December. Overall, this points to an increase of between 22 and 24 cents for every PFD dollar in the three months post distribution.

- Knapp, Berman, and Guettabi (2016) find that a 100 million increase in the aggregate size of the PFD is associated with the creation 725 jobs in the short run.

- Bibler, Guettabi, and Reimer (2019) find that for every 100 million dollars in the total PFD distribution, there are approximately 475 jobs created. On the other hand, they find that women who are already employed tend to decrease the number of hours worked in the three months following the distribution.

Mr. Guettabi noted that two of the papers listed were from himself and a few colleagues, and the first paper listed was by a researcher at Northwestern University. He noted that the decrease in number of hours worked by women was more concentrated amongst women with young children, and especially lower-income women.

9:56:59 AM

Mr. Guettabi spoke to slide 23, "What about PPP? No perfect answer":

- The first round of PPP Loan applicants had to indicate a number of jobs at their organization that would be retained as a result of the PPP loan. Alaska applicants stated they would retain 114,000 jobs in the state during the active loan period. This is best thought of as the number of jobs supported by the loans and not the ones that would have disappeared in the absence of the loans.

- The equivalent number at the national level is over 51million jobs.

- While it is difficult to identify the exact effect, recent research here, here, and here shows that the actual number of jobs saved is smaller than the 51 million number. It ranges from 1.2 million to 13.6 million jobs.

Mr. Guettabi wanted to give a broad assessment of how the economy had been helped by the Payment Protection Plan (PPP) Loan Program. He thought clearly a significant amount of money had entered the economy through the PPP plan and pondered how many jobs were retained as a result. He considered jobs supported by PPP. Some of the more recent academic research showed that the jobs truly saved by PPP were smaller in number than initially reported. He clarified that he was not saying PPP did not help businesses. He summarized that even studies with granular data were challenged to determine the effect of some of the large programs. It had been argued that PPP had not been well targeted. He continued that at a national level, most of the smaller findings stemmed from the fact that some of the PPP money went to businesses that would have retained employees anyway.

10:00:13 AM

Mr. Guettabi referenced slide 24, "A quick note on the child tax credit":

- First, it allows 17-year-old children to qualify for the credit.

- Second, it increases the credit to $3,000 per child ($3,600per child under age 6) for many families.

- Third, it makes the credit fully refundable and removes the $2,500 earnings floor.

- Fourth, it requires half of the credit to be paid in advance by having the IRS send periodic payments to families from July 2021 to December 2021.In 2018, there were 90,490 tax returns with child tax credits.

Mr. Guettabi thought the child tax credit program was important and that it would make a difference for lower income households. He thought the most important change since 2019 was the fact that the child tax credit had become fully refundable and was no longer capped. The Biden Administration was trying to get the Internal Revenue Service to give advance payments. The plan was for eligible households to receive monthly payments between July and December.

Co-Chair Stedman asked about the Supplemental Nutrition Assistance Program (SNAP) benefits increase and wondered if Mr. Guettabi had a comment on the effectiveness.

Mr. Guettabi relayed that SNAP payments went directly to the most vulnerable members of the population. He thought it was important that from an aggregate perspective, money that went to low-income households went directly into the economy. He thought SNAP payments were very well targeted and that the payments were making a big difference. From an aggregate perspective, the money was spent rather than saved and made a difference in the economy. He thought the state's recovery was "K-shaped," which meant higher income households were doing well, and lower income households (as a greater proportion of workers form the hospitality sector) were not faring as well. He thought the SNAP funds clearly were making a difference and would be missed if they did not make it into the state's economy.

10:04:28 AM

Senator Wilson asked about personal higher income and asked if it could be a factor in the hold-harmless provision in the state.

Mr. Guettabi affirmed that child tax credits would increase personal income. He continued that transfer payments were a big portion of personal income and were the sole reason that personal income had gone up. He clarified that the child tax credit payments were temporary and were set to expire in December. Additionally, the payments were a little better targeted to lower income levels than other payments. He thought even though personal income was higher, the economy at large was still struggling. He thought anything that reduced the amount of money in households should not be done in the immediate term. He struggled with the idea of potentially reducing money to households, particularly the ones suffering from the state of the economy. He reminded that lower income households were putting money back in the economy.

10:06:47 AM

Mr. Guettabi turned to slide 25, "Where does all of this leave us?"

- Labor market activity is still weak even if Personal income was higher in 2020 than in 2019. The effects of the most recent Federal distributions are yet to enter the Alaska economy.

- Based on my forecast here, I do not anticipate a return to pre-pandemic employment levels until after 2022.

- Targeted Aid makes the most sense given the variation in economic pain across income groups, regions, and sectors.

Mr. Guettabi thought the state of the economy was confusing and reiterated that there was not much improvement in the labor market. He mentioned curtailed spending patterns. He emphasized that when talking about increased personal income, there were still pockets of the economy that were struggling. He thought that aid should be targeted to portions of the economy that were struggling.

Co-Chair Stedman thanked Mr. Guettabi for his testimony.

Co-Chair Bishop thanked Mr. Guettabi for the information that was presented.

10:09:21 AM

DAN ROBINSON, CHIEF OF RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, discussed the presentation "Current Trends in Alaska's Employment, Wages, and Population" (copy on file). He stated he had eight substantive slides and wanted to give a clear picture of what was happening with data sets for employment, wages, and population. He was happy to provide more information that might be requested by the committee. He conveyed that the main function of his job was to produce the data, then analyze it and look for insights.

Mr. Robinson looked at slide 2, "Alaska wage and salary employment by month, 2018-2021," which showed a line graph. The graph did not include self-employment or the military. He noted that the graph's lines for 2018 and 2019 were almost on top of each other. There was a little employment growth in 2019. He mentioned the state-specific recession from 2015 to 2018. He pointed out that the state lost 14 percent of jobs, which was an historic drop in employment.

Mr. Robinson thought Mr. Guettabi had made a good point in that there was no clear sign of recovery, and the biggest reason was the state was moving through its normal seasonal job market pattern. He commented that Alaska had the most seasonal job market in the country. All the state's seasonal industry was in the summer, including commercial fishing, tourism, and construction.

Mr. Robinson noted that the state was about 20,000 jobs below the level of one year previously. He thought the composition of the jobs was important, and 4,000 of the lost jobs were in oil and gas. He cited that 7,000 of the jobs were in leisure and hospitality, and that there was a big difference in pay between the jobs in oil and gas.

10:13:48 AM

Mr. Robinson spoke to slide 3, "Employment by economic region, over-the-year percent change, 2018-2021," which showed a line graph depicting employment change in six economic regions in the state. He asked the audience to consider the economic drivers in each sector. He mentioned things that brought money into the state including the federal government (including military), oil and gas, commercial fishing, tourism, other mining, and miscellaneous other things such as air cargo in Anchorage. He pointed out that employment in Southeast had dropped more than in other areas, because cruise ship traffic mattered more and it was a poor fishing season. He contrasted with the Southwest Region, where fishing was better and there was far less dependence on summer tourism.

Mr. Robinson noted that oil and gas jobs were far below the levels from a year previously, and showed no sign of a bounce, which he thought was unusual. He cited that 30 percent of the oil and gas jobs were held by non-residents, which made a difference in how much money was staying in the state.

Mr. Robinson referenced slide 4, "Employment for Alaska and U.S., over-the-year percent change, 2018-2021," which showed a line graph. He noted that initially the employment changes in Alaska reflected the same degree of change as the rest of the United States. He explained that since, the U.S. economy had recovered a bit more. He thought things in Alaska would almost surely get worse in contrast to the U.S. because of the near certainty there would be no cruise ship season.

Mr. Robinson turned to slide 5, "Alaska wages by quarter, 2019-2020," which showed a bar graph. He noted that he had specifically not zoomed in on the graph in order to observe how much of the state's economy stayed roughly in place. He pointed out a meaningful decrease in wages and noted that the data came from employers.

10:18:56 AM

Mr. Robinson considered slide 6, "But, wage losses were more than offset by big increases in government “transfer receipts,” which showed a bar graph. He thought it was better to call the economy's effect a pandemic rather than a recession. He emphasized that earnings from employment declined by $500 million was dwarfed by the increase in transfer payments to the economy. He made the point that the PFD was in the 'transfer receipts' category in the data from the Bureau of Economic Analysis, which meant it was monies from the government to households that was not for work performed.

Senator Wilson asked if Mr. Robinson was indicating that there was too much COVID-19 funding, or if the payments targeted an area that did not need help.

Mr. Robinson explained that broadly, because of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the aggregate loss of the economy was more than compensated from the federal payments. He thought the objective was to prevent recessionary forces such as loss of confidence or the housing market. He expressed that he was making no value judgement about whether the funds were enough, too much, or a good policy call. He commented that in the aggregate the economy had not suffered. He thought it was mind-blowing that per-capita personal income could increase with the level of job loss being experienced.

Mr. Robinson pondered who received the additional funds and acknowledged that some individuals were really suffering. He made the point that people of different income levels had been affected by the pandemic differently.

10:22:08 AM

Mr. Robinson displayed slide 7, "Alaska’s long-term population history," which showed a line graph. He noted the characteristic booms and busts. He pointed out the pipeline construction in the 1970s and the oil boom in the 1980s. He reminded that Alaska's population didn't start post-World War II. He cited that in 1943, two-thirds of the state population was military. He commented that Alaska was a young state, and that in 1890, ninety percent of the population was non-white. He commented on the high male to female ratio. He reminded that Alaska's history was rich and did not begin statehood or WWII. He thought Alaska was experiencing some things that young states experienced, such as infrastructure challenges and figuring out how to pay for state government.

Mr. Robinson highlighted slide 8, "Eight consecutive years of negative net migration," which showed a bar graph. He thought the trend of negative net migration was important to point out. He identified there was four components of change to population: birth, death, in-migration, and out-migration. He stated that historically Alaska's population change had been driven by net migration. Before the current period, there had not been a period of more than four consecutive years of negative net migration. The population had peaked at about 741,000 in 2016 and was currently down to 729,000. In terms of net population loss, the number was not large; but he thought the trend said something about the desirability of living in the state.

Senator Wilson asked if the economic recovery would be enough to slow down the negative migration trend.

Mr. Robinson suspected that economic recovery would not be enough to slow the trend of out-migration. He pointed out that the negative migration trend pre-dated the COVID-19 pandemic. He mentioned the oil and gas downturn, which he thought would continue to affect the state's desirability. He mentioned the state governments structural deficit, the Permanent Fund, and the oil and gas tax regime.

10:26:26 AM

Co-Chair Bishop commented on the stock market crash in 2008, and an increase in Alaska's population. He thought people came to the state seeking a better path forward. He thought Alaska wages were no longer a big draw, because it was possible to make as much or more in the Lower 48 while enjoying a lower cost of living. He thought it was "a wash."

Mr. Robinson thought Co-Chair Bishop had made a good point. He considered the state's relative economic health and commented that Alaska had fared comparatively well during the great recession. He recounted that the state did not have the manufacturing job losses or housing chaos seen in other states.

Co-Chair Bishop thought the legislature had been responsible for robust capital budgets that had insulated the state from some of the negative changes happening in the country.

Mr. Robinson thought the capital budget was interesting and was a little like some current federal payments. He acknowledged that there had been lots of money spent. Because the state was spending so much on capital projects, there had been a distinct economic benefit to the state.

Co-Chair Stedman stated that the capital spending had been an intentional choice by the committee when the state had robust savings in order to counteract the recession. He recounted that the choices had been in direct opposition and philosophy from the sitting governor at the time. He lamented the state's reduced cash position.

Mr. Robinson remarked that the amount that was being spent on capital budgets was very large in context. He noted that the economic data made it difficult to identify the causes of things.

10:30:28 AM

Co-Chair Stedman commented that the state had a significant number of comments that the increased capital spending was going to overheat the economy. He thought that history would show that the decisions made at the committee table had been accurate. He commented that the current committee was the most experienced in the history of the state, and members were collectively trying to steer the state's economy in a better direction.

Co-Chair Bishop asked if Mr. Robinson could supply the committee with a multiplier on capital dollars to construction work. He also asked about the multiplier effect of the PFD transfer.

Mr. Robinson deferred to the question to Mr. Guettabi and informed that the department did not do much work with multipliers or economic impact modelling. He explained that it was tough to model multipliers and was easy to skew the numbers for advocacy reasons. He mentioned the objective nature of ISER as an institution, similar to that of the Legislative Finance Division.

Co-Chair Stedman suggested sending an inquiry to the University of Alaska.

Co-Chair Bishop recalled more conservative numbers being used, which he preferred.

Senator Wielechowski asked if there was more detail on the chart on slide 8, such as socioeconomic status.

Mr. Robinson affirmed that the following slide would address more detail.

10:33:37 AM

Mr. Robinson looked at slide 9, "Lots of people move to and away from AK every year," which showed a bar graph. He mentioned that his office had written a couple of articles which he would be happy to forward to the committee. He affirmed that there was a decrease in people coming to Alaska in addition to the out-migration. He emphasized that eight consecutive years of negative net migration was not the sign of a healthy economy, which he thought was a consequence more than a cause. He suggested that while it was not possible to change the state's climate, it was possible to address elements such as stability, certainty, budget, and other things to do with state government. He referenced Co-Chair Stedman's comments and stated it was unusual that a state had as much influence over key parts of the economy as Alaska did.

Senator Wielechowski asked what conclusions could be drawn from the graph. He asked what policy decisions could counteract the trend of negative net migration. He wondered what could be done for more healthy economy. He thought the out-migration seemed to correlate closely to the passage of SB 21 and giving away huge amounts of the state's oil resource to the industry while getting nothing in return.

Mr. Robinson thought connecting policy changes to changes in the economy was always difficult and he opined that politicians always received both too much credit and too much blame for what happened by large economic forces. He thought stability and certainty could counteract the trend. He emphasized that businesses, households, the University, and the ferry system depended upon stability.

10:37:29 AM

Senator Wilson mentioned a big change in the transfer from paid labor to unpaid family labor and asked what metrics the state would use to measure the change.

Mr. Robinson commented that there had been a trend of women falling out of the labor force, partly because of the need to home-school children during the pandemic. He mused that there was some concern that the matter would not change after the pandemic. He noted that there was very good data on the number of jobs by industry, so it would be possible to tell if there were fewer childcare workers getting a paycheck. He thought the change would be smaller than expected. He thought most kids in childcare pre-pandemic would go back to childcare.

Co-Chair Stedman thanked Mr. Robinson for his testimony and expressed that the department had been helpful over the years by putting a focal point on labor and presenting alternative viewpoints. He asserted that Mr. Robinson and his team were integral to the decision-making at the committee table. He thought the committee would be requesting more assistance over the forthcoming months as the state and allocated billions of dollars in federal funds.

Co-Chair Stedman relayed that the meetings scheduled for Thursday and Friday would be cancelled. He affirmed that the next committee meeting would be held the following Tuesday.

The schedule for the following week would be released later in the day.

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ADJOURNMENT
10:41:09 AM

The meeting was adjourned at 10:41 a.m.