

SENATE FINANCE COMMITTEE  
March 16, 2023  
9:02 a.m.

[9:02:40 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Jesse Kiehl  
Senator Kelly Merrick  
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Dan Robinson, Chief of Research and Analysis, Department of Labor and Workforce Development; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Brett Watson, Research Assistance Professor of Economics, Institute of Social and Economic Research, University of Alaska Anchorage.

SUMMARY

PRESENTATION: ALASKA'S ECONOMY

Co-Chair Stedman discussed the agenda.

^PRESENTATION: ALASKA'S ECONOMY

[9:03:51 AM](#)

DAN ROBINSON, CHIEF OF RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, relayed that the subsequent presentation should offer some context of historical economic performance of the state and how Alaska compared to other states. He discussed a PowerPoint presentation entitled "The Current State of Alaska's Economy" (copy on file).

[9:04:18 AM](#)

Mr. Robinson looked at slide 2, "Alaska's Up and Down Gross Domestic Product," which showed a line graph of the percent change in the Alaska and United States (U.S.) gross domestic product (GDP) from 1978 to 2021. He offered that GDP, which was the value of goods and services produced in Alaska. He stressed that the revenue did not necessarily stay in Alaska; Oil prices went up, the GDP went up, and shareholders made money but what was produced in Alaska did not always stay in Alaska. He explained that all his slides would consider the "oil era economy," which was from the 1970s on.

[9:06:14 AM](#)

Mr. Robinson spoke to slide 3, "Smoothing It Out a Little ...," which showed a line graph that showed a 5-year trailing average. He pointed out that the U.S. economy had not been as volatile as Alaska and had never dropped below zero. He stated that in the late 1990s the state had GDP loss and 2014, and forward, reflected negative GDP growth.

[9:07:08 AM](#)

Mr. Robinson referenced slide 4, "A Reminder About the Economic Power of Oil," which showed quotes from an article by Neal Fried and a quote by Terrence Cole, an Alaskan historian.

"Oil's contribution to Alaska's economic history has no equal. Historians write that the discovery of oil in Cook Inlet helped secure Alaska's quest for statehood, and the subsequent massive discovery of oil in Prudhoe Bay remains the largest in North America."

- Neal Fried

"The balance sheet of Alaska history is simple: One Prudhoe Bay is worth more in real dollars than everything

that has been dug out, cut down, caught, or killed in Alaska since the beginning of time."

- Terrence Cole, Alaska Historian

[9:07:47 AM](#)

Mr. Robinson turned to slide 5, "How Our GDP Differs from U.S.," which showed a bar graph which showed how Alaska's GDP percentages of total compared to the rest of the U.S. He highlighted the left side of the slide, which showed 5 things that the state had proportionally more of than the rest of the U.S. economy: oil and gas extraction and mining; transportation and warehousing; state and local government; military; and federal civilian. He noted that the transportation and warehousing was mostly due to oil production. He noted that the data was from 2021. He noted that the bulk of the bar shown for transportation was from oil.

Mr. Robinson continued to the next 4 bars on the graph: educational services; health care, and social assistance; retail trade; construction; and arts, entertainment, recreation, accommodation, and food. He stated that these were not bigger in Alaska's economy than in the rest of the U.S. He spoke to the last four bars which reflected areas where the state fell behind the rest of the U.S.: manufacturing; professional and business services; finance, insurance, real estate, rental, and leasing; and all other. He stated that much of the state's manufacturing was in seafood processing. He noted that the state did not have a lot of "white collar" jobs that served populations outside of the state. He noted that the state had little farming wealth.

[9:10:41 AM](#)

Mr. Robinson considered slide 6, "Comparing 2013-2021 to Previous Periods":

- Average Annual GDP Growth 2013-2021: -1.5 percent
- Average Annual GDP Growth 2003-2012: 3.2 percent
- Average Annual GDP Growth 1993-2002: 0.8 percent
- Average Annual GDP Growth 1983-1992: 0.3 percent
- Average Annual GDP Growth 1978-1982: 9.5 percent

Mr. Robinson pointed out that the most recent decade had been the lowest performing out of the last 5 decades.

[9:11:06 AM](#)

Mr. Robinson displayed slide 7, " Top/Bottom Five States by GDP Growth, 2013-2021," which showed a bar graph depicting the percent change in GDP from 2013 to 2021. He pointed out to the committee that Alaska was at minus 8 percent GDP. The graph showed the five highest performing states: Utah, Washington, Idaho, California, and Colorado. He said that one thing the lower performing states had in common (North Dakota, West Verginia, Louisiana, Wyoming, and Alaska) was oil and in come cases, coal. He relayed that it had been a hard decade for oil.

[9:12:03 AM](#)

Senator Bishop commented that Idaho and Washington had electrical rates of between \$.05.5 and \$.06 per kilowatt, which attracted businesses.

[9:12:30 AM](#)

Mr. Robinson considered what was going right in some of the more successful states - energy costs being one of those things.

[9:12:55 AM](#)

Mr. Robinson highlighted slide 8, which showed a line graph depicting Alaska's employment rate from 1970 to 2022. He pointed out that in the history of the oil era, there was strong growth in 1970s due to oil and strong employment growth in the 1980s. The far right of the graph showed a peak in wage and salary jobs in 2015. He pointed out the "covid dip" in 2020. He cited that 2015 to 2018 was a state-level recession, which he qualified was a broad economic downturn with oil being the main underperforming variable.

[9:14:16 AM](#)

Mr. Robinson looked at slide 9, " Comparing 2013-2022 to Previous Four Decades":

- Average Job Growth 2013-2022: -0.5 percent
- Average Job Growth 2003-2012: 1.3 percent
- Average Job Growth 1993-2002: 1.8 percent
- Average Job Growth 1983-1992: 2.2 percent

- Average Job Growth 1973-1982: 7.2 percent

[9:14:31 AM](#)

Mr. Robinson addressed slide 10, "Top/Bottom States by Job Growth, 2013-2022," which showed a bar graph showing the top five and bottom five states in employment growth. He pointed out that Alaska was down 5 percent and was 50<sup>th</sup> in the country.

[9:15:04 AM](#)

Mr. Robinson advanced to slide 11, "How We Compare to High-Growth States," which showed a line graph looking at the high performing states in more detail. He pointed to the 2015 - 2018 job loss period and the "covid plunge". Nevada suffered the most due to the shutdown of the gaming industry. He noted that most states had bounced back, and it seemed the healthier the economy going into Covid-19, the healthier the economy coming out of the pandemic.

[9:16:09 AM](#)

Senator Wilson asked whether the department had done studies on how other states had recuperated their workforce.

Mr. Robinson thought the best data set for the subject was job openings. He said that the more successful states had positive migration, which Alaska did not. He cited that Utah had a younger age structure with more young people aging into the workforce. He noted that all the states had unusually high job opening rates. He thought the concept of "people don't want to work anymore" had been debunked and had never been true. The industry that was struggling the most was leisure and hospitality because the lower wage jobs associated with that industry were harder to fill.

[9:18:46 AM](#)

Senator Bishop thought one issue with slow growing workforce was low birth rates.

Mr. Robinson agreed that birthrates had been declining. He said that death rates had had an uptick during Covid-19. He explained that there had always been the expectation of a problem when the baby boomers aged out of the workforce.

Baby Boomers comprised much of the working population while the younger generations were smaller in number.

[9:19:54 AM](#)

Mr. Robinson looked at slide 12, " How We Compare to Other Low-Growth States," which showed a line graph comparing Alaska to 5 other states with low growth. He said that Hawaii had the most significant "covid plunge" due to their strict Covid-19 restrictions. He noticed that North Dakota, Louisiana, and Wyoming all struggled in 2015 through 2018, and reiterated that states with oil and coal were struggling.

[9:21:22 AM](#)

Mr. Robinson showed slide 13, "Top/Bottom Five States by Population Growth," which showed a bar graph with high and low population growth 2013 through 2022. He identified that the state's working population had declined by 6 percent.

[9:22:25 AM](#)

Senator Wilson asked what Idaho was doing differently than Alaska that it would have such strong in-migration.

Mr. Robinson qualified that he was not an expert on other state's economies, but broadly answered that Idaho and Utah had good technology sectors and lifestyle attractiveness. He mentioned that the states had far cheaper housing than California. He said many sought the warmer weather.

[9:24:19 AM](#)

Senator Kiehl asked about the difference in population change from the successful and less successful states.

Mr. Robinson thought the answer was complicated. He thought that one reason was age structure. He pondered to what degree non-resident workers. He noted that 20 percent of Alaska's workforce were non-residents, which meant that they would show up in the employment data set but not the employment data set. He thought age structure was the biggest variable.

[9:25:49 AM](#)

Senator Merrick asked whether tax structure had anything to do with in and out migration.

Mr. Robinson thought the data would show that taxes were a very minor factor, especially with baby boomers. He commented that Texas, Nevada, Florida, and Utah had tax structures advantageous to people on a fixed income.

[9:26:47 AM](#)

Co-Chair Olson asked whether those states were more attractive because of the absence of income and real estate taxes.

Mr. Robinson thought that a lack of income tax was most attractive.

[9:27:16 AM](#)

Mr. Robinson referenced slide 14, "April's Issue of Alaska Economic Trends," which showed a magazine cover of the March 2023 issue of Alaska Economic Trends. The slide showed a line graph titled, "More out-movers than in-movers since 2013." He said that the decrease in in-migration had been more significant than any increase in out-migration.

[9:28:08 AM](#)

Mr. Robinson turned to slide 15, "Another Way to Look at Net Migration Numbers," which showed a bar graph that reflected that between 2013 and 2023, approximately 53,000 more people had left Alaska than had moved to the state.

[9:28:27 AM](#)

Mr. Robinson considered slide 16, "How Migration Patterns Have Shifted by Age," which showed a bar graph with long term trends by age group. He summarized that Alaska had historically had opportunities that attracted young people in their 20s and 30s, who would have children, adding to the population. He stated that the state had always been a net exporter of college aged kids. He said that due to the cold, older aged people moved out of state. He pointed out that the graph showed the average number per year.

[9:30:33 AM](#)

Mr. Robinson displayed slide 17, " Oil and Gas's Difficult Decade is Part of Our Challenge," which showed the April 2017 magazine cover for Alaska Economic Trends. He cited that the state had lost 6,000 oil and gas jobs when oil prices fell, secondary shock was the budget crisis:

**The importance of confidence and stability to an economy**

But this recession is unusual in that the initial shock created the near certainty of a secondary shock. Alaskans will have to absorb another economic deduction in the form of new taxes or more state government job and spending cuts, and until we know how that will play out, individuals and business may be more likely to put the financial decisions on hold.

[9:31:58 AM](#)

Mr. Robinson highlighted slide 18, "Not Resolving These Big Issues Has Economic Costs," which showed the February 2019 magazine cover for Alaska Economic Trends. Mr. Robinson summarized the slide:

How we described the budget situation four years ago:

**Harder choices lie ahead**

Even with the influx of nearly \$3 billion from investment earnings, the state expects revenue to fall short by about \$1.6 billion of the preliminary budget for fiscal year 2020. That means major choices remain, and none of the options are painless or universally popular.

All of our possible choices have pros and cons, and from an economic perspective, none will be cost free. But until we make those decisions, our economy will struggle.

Mr. Robinson stressed the need for structural change and spoke of the various ways that the state's economy should be forecasted to maximize useful data.

[9:34:08 AM](#)

Mr. Robinson showed slide 19, " Questions/Comments":

Dan Robinson, Chief of Labor Research and Analysis  
Dan.Robinson@Alaska.gov  
Phone: 907-465-6040

[9:34:20 AM](#)

BRETT WATSON, RESEARCH ASSISTANCE PROFESSOR OF ECONOMICS, INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH, UNIVERSITY OF ALASKA ANCHORAGE (via teleconference), discussed a PowerPoint presentation entitled " Status of the Alaska Economy" (copy on file).

Mr. Watson looked at slide 2, Institute of Social And Economic Research":

- For over 60 years ISER has helped Alaskans understand their state and its economy.
- Most ISER research is supported by Federal, State, and Private funding.
- Our research reflects the views and expertise of those that produce it, not the opinions of a funder.
- This presentation benefited from the contributions of Mike Jones and Mary Kopriva, but all errors/omissions are my own.

[9:35:40 AM](#)

Mr. Watson spoke to slide 3, "Questions about the State of the Alaska Economy":

- Is Alaska in a recession?
  - No, but we are growing more slowly than most states
- Has the economic recovery been even among households?
  - No evidence that inequality is rising.
- What are the state's economic headwinds?
  - Issues before pandemic
  - Issues since pandemic
- What are the tailwinds?
  - Three legged stool
  - Oil industry
  - Federal spending
  - Other industries

[9:36:39 AM](#)

Mr. Watson referenced slide 4, "Judging a Recession":

- National recessions are determined by the Business Cycle Dating Committee of the National Bureau of Economic Research
  - "a significant decline in economic activity that is spread across the economy and that lasts more than a few months"
  - Judgement Made Based on Indicators:
    - real personal income less transfers (PILT)
    - nonfarm payroll employment
    - real personal consumption expenditures
    - wholesale-retail sales adjusted for price changes
    - employment as measured by the household survey
    - industrial production
- There is no equivalent recession dating body for US states
- Alaska economists tend to use a range of similar indicators

[9:37:40 AM](#)

Mr. Watson turned to slide 5, "Alaska Employment Short Pre-pandemic Levels," which showed a line graph with data from the Bureau of Labor Statistics. He highlighted that in 2019, Alaska averaged 330,000 jobs. The state shed about 50,000 jobs in early 2020, with a trough in April 2020. As of December of 2022, the state was approximately 6,000 jobs short of pre-pandemic levels.

[9:39:07 AM](#)

Mr. Watson considered slide 6, "Why is Alaska Lagging the National Recovery?" The slide showed a line graph of non-farm employment. He highlighted that Alaska's job growth rates slowed in 2021 and still fell behind the rest of the country.

[9:39:54 AM](#)

Mr. Watson displayed slide 7, "Why is Alaska Lagging the National Recovery? Depth of Covid Recession?" The slide showed the relationship between the speed at which states recovered from the Covid-19 recession compared to the depth of their recession. He pointed to the far-right side of the figure, which showed that states like Hawaii and Nevada had

been relatively slow to recover. He related that state above the dotted line had larger economies currently than before the pandemic.

[9:41:00 AM](#)

Mr. Watson highlighted slide 8, " Why is Alaska Lagging the National Recovery? Pre-covid economy," which showed a scatter plot. He thought the graph showed the strong relationship between how well a state was doing before the pandemic and how much it had recovered since the pandemic. He concluded that states that were performing poorly before the pandemic were slow to recover.

[9:41:29 AM](#)

Mr. Watson looked at slide 9, "Alaska Gross Domestic (State) Product," which showed a line graph which included measurements of GDP in both constant and nominal dollar terms. He observed that since 2012, GDP had been in decline in Alaska, and was lower today than pre-pandemic. He said that all the decline was due to inflation.

[9:42:33 AM](#)

Mr. Watson addressed slide 10, " Alaska Gross Domestic (State) Product," which showed a scatter plot that compared state GDP growth and how quickly GDP had grown since the pandemic. He noted that Alaska was in the company with other oil-dependent states, such as Oklahoma, West Virginia, Nevada, and Wyoming.

[9:43:54 AM](#)

Mr. Watson advanced to slide 11, "Rural Energy States," which showed a line graph illustrating the dynamic in real GDP for the selection of small energy dependent states. He noted that all the states had shown a relatively slow growth, except for Montana.

[9:44:30 AM](#)

Mr. Watson looked at slide 12, "Oil Drive's State's Economic Fluctuations," which showed a line graph that broke down the major components of the state GDP into separate lines. He observed that from 2005 to 2020, most industries in the state's economy had experienced steady

nominal growth, with a "covid shock," and a return to pre-Covid-19 levels. He countered that the oil component of GDP had fluctuated wildly for the time-period. He said that the movement of GDP across the other industries had been swamped by the fluctuation in the oil GDP.

[9:45:54 AM](#)

Senator Wilson considered the healthcare sector line. He asked why the slide showed a lag in the healthcare sector.

Mr. Watson explained that there had been growth in the healthcare sector over the time-period, particularly in employment, as well as continued growth in the sector. He did not have specifics as to why the GDP measurement did not reflect growth.

[9:47:00 AM](#)

Mr. Watson showed slide 13, "Other Alaska Economic Indicators":

- Seasonally adjusted jobless claims (USDOL) are at record lows [weekly]
- Official unemployment (BLS) at lowest level on record [monthly]
- Consumer spending (Affinity Solutions) Dec 2022-Feb 2022 up over same time last year
- Punchline: most conventional measures of economic activity point to Alaska's economy continuing to recovery from the pandemic recession
  - Is this recovery being felt evenly?

[9:48:21 AM](#)

Mr. Watson referenced slide 14, "Poverty Flat/Down Since 2017," which showed a line graph of data from the U.S. Census Bureau. The differently colored lines indicated income distribution as percent of the poverty line (families) lower income levels by percent of families, by year.

Co-Chair Stedman asked what the chart indicated.

Mr. Watson summarized that between 2019 and 2020, poverty in the state remained relatively static. He noted that the press had reported substantial disproportionate burdens of

the pandemic on certain portions of the population. He said that there was in evidence in the data on his slide to support that claim. He thought maybe the extreme poverty levels might have risen a little bit, but that the sample sized in Alaska tended to be small and he did not want to overinterpret the data. He concluded that the data showed that Alaskans fared well financially during the pandemic.

[9:50:16 AM](#)

Senator Kiehl queried the percentage of Alaskans represented on the slide.

Mr. Watson explained that the slide showed 20 percent of Alaskans. He said that approximately 18 percent of Alaskans were at or below the poverty line. He cited that the 2021 poverty line for a 4-person household was \$27,740 per year.

[9:51:03 AM](#)

Mr. Watson turned to slide 15, "Real Income Distribution is Largely Stable Post-pandemic," which expanded the number of families and offered a broader slice of the state's economy. He noted that the graph looked at families that were up to 500 percent of the poverty level.

Co-Chair Stedman asked whether 40 percent of families in the state made over \$138,000 per year, 5 times the poverty rate.

Mr. Watson replied in the affirmative.

Co-Chair Stedman expressed surprise at the figure.

Mr. Watson agreed that the figure was surprising. He offered to provide clarifying information on the slide.

[9:52:33 AM](#)

Senator Wilson wondered why the 100 and 200 percent lines differed between slides 14 and 15.

Mr. Watson cited that between slide 14 and slide 15 there was an inflation adjustment. Slide 15 was inflation adjusted and slide 14 was in nominal dollars.

[9:53:08 AM](#)

Mr. Watson considered slide 16, "In Nominal Terms, Income Growing and Distribution Roughly Stable," which showed a chart showing household income distribution in the state by year and percentage of population. He interpreted that in between 2019 and 2021, there was not a marked fluctuation in income inequality.

[9:54:07 AM](#)

Mr. Watson displayed slide 17, "US Poverty Levels Declining, While AK is Stable," which showed a graph comparing the state's poverty metrics to the rest of the country. He pointed out prior to 2019, poverty in the U.S. was falling. He said that Alaska was in recession from 2015 and 2019, which could have contributed to the increase of poverty during that time. He reiterated his claim that the pandemic had not had a more significant effect on those below the poverty line.

[9:55:08 AM](#)

Senator Wilson asked about changes in the average wage during that time, and wondered whether the poverty line was keeping up with inflation.

Mr. Watson stated that there was not a good sense of the distribution of wages across the economy. He said that the data before the committee used survey data and tended to lag a bit. He referred the question to Mr. Robinson.

Co-Chair Stedman encouraged members at the table to ask questions after each slide.

[9:56:40 AM](#)

Mr. Watson highlighted slide 18, " Alaskan poverty rates trend similarly to other Rural Energy states," which showed a line graph showing the percentage of families below the poverty line in Alaska, which was like that of other energy states.

[9:57:10 AM](#)

Mr. Watson looked at slide 19, "Non-white poverty levels are higher, but falling," which showed a line graph with the percent of the population below the poverty line by race in Alaska and the U.S. He noted that there was

movement in declining poverty for both white and non-white populations in the U.S., but the line had remained relatively flat in Alaska.

[9:57:50 AM](#)

Mr. Watson addressed slide 20, "Headwinds":

- Inflation
- Workforce shortages

Mr. Watson stated that inflation and workforce shortages were important headwinds facing Alaska's economy. He mentioned that a reason to keep an eye on inflation was that the federal reserve was taking actions to fight inflation. He thought that the federal government could decide that controlling inflation was worth pushing the national economy into a recession. He noted that Alaska was a small state, relative to the national economy, and that the needs of the state did not factor largely into the federal reserve's calculations. He thought that keeping an eye on the state's inflation rate and the national inflation rate was important.

Co-Chair Stedman asked whether the federal reserve combines Alaska with the Westcoast federal reserve district.

Mr. Watson relayed that Alaska had its own inflation measure for the BLS and cited the Anchorage Consumer Price Index (CPI). He said that Alaska was such a small fraction of the U.S. economy that it was unlikely the state would factor into federal calculations for setting interest rates.

Co-Chair Stedman asked whether BLS measured states individually or measured them using the different federal reserve districts when making federal reserve related policy decisions.

Mr. Watson explained that BLS thought about regional economies at the federal reserve district level.

Co-Chair Stedman thought that Alaska would be linked with California.

Mr. Watson replied in the affirmative.

[10:00:45 AM](#)

Mr. Watson advanced to slide 21, "Alaska Tracks National Inflation," which showed a line graph showing the headline inflation in Alaska and the U.S. He highlighted that the value of 100 for February 2020 indicated that prices were the same for Alaska and the nation in February 2020, while the value of 110 meant that prices were 10 percent higher than in February 2020. He cited that generally, prices had risen across the economy by approximately 15 percent since the start of the pandemic. He said that Alaska's inflation had been tracking with the rest of the country over the reflected time.

[10:01:41 AM](#)

Mr. Watson looked at slide 22, "True for Headline and Core Inflation," which showed two, line graphs showing headline inflation and core inflation. He explained that headline inflation showed the changes in prices of goods and services for the overall economy, whereas core inflation removed the more volatile portions of prices - including food and energy prices. He noted that Alaska and the nation tracked well with one another in both graphs.

[10:02:17 AM](#)

Mr. Watson spoke to slide 23, " AK v US: Energy Lower, Food Higher," with three, line graphs showing core inflation, energy inflation, and food inflation in Alaska and the U.S. He noted that energy prices in Alaska had been lower than the rest of the U.S. and food prices had been higher.

[10:02:54 AM](#)

Mr. Watson referenced slide 24, "Goods Cool, While Food Continues to Rise," which showed a line graph depicting U.S. inflation by major components including core goods, core services, energy, and food. He said that the most important component of core services was housing, while the most important component of core goods was durable and non-durable goods. He pointed to core goods between 2017 and 2021, which were elevated above core services between 2021 and early 2023. He believed that the pandemic was a major factor in the increase of the core goods sector.

[10:04:36 AM](#)

Mr. Watson turned to slide 25, "AK LFPR Back, US Still Below," which showed a line graph considering the state's labor force participation rate. He explained that the figure showed that the state's labor force participation rate was currently near or above what it had been pre-pandemic. The national rate was lower due to certain demographic trends, possibly due to a surge in early retirement on the national level.

[10:06:20 AM](#)

Mr. Watson considered slide 26, "AK Leads Energy States in LFPR Post-Covid," which showed another representation of the information on the previous slide. He observed that generally the graph was a positive comparison for the state versus the national economy with respect to workforce issues.

[10:07:04 AM](#)

Mr. Watson displayed slide 27, "Women LFPR Generally Lower than Men," which showed a line graph with LFPR in the U.S. by gender. He noted that the labor force participation rate was considerably lower than the rates for men, particularly during the pandemic when lack of childcare forced many women to leave their jobs to care for children at home.

[10:07:36 AM](#)

Mr. Watson highlighted slide 28, "Despite Larger Shock, LFPR Gender Gap Shrinks," which showed the LFPR for women dropped significantly lower than that of men in early 2020, which was consistent with the idea that more women had to leave the workforce during that time to care for family members. He felt that the gap began to close in January 2023, and had remained relatively narrow.

Co-Chair Stedman asked whether there was a way ISER could help with tracking the work force gender gap for the state. He shared that childcare for families was an issue important to the legislature and hoped that some state specific data could be mined.

Mr. Watson mentioned the challenge of identifying people that were actively looking for jobs which could require survey data, which was costly.

[10:09:35 AM](#)

Senator Kiehl queried the reasons for the closing gender gap reflected on slide 28.

Mr. Watson thought that understanding the mechanisms through which some of the trends were operating was important. He lamented he could not offer any insights into the reason behind the closing gap. He suggested that the reopening of schools and childcare centers could be factors.

Co-Chair Stedman requested that ISER provide data on childcare issues and the labor force. He said that the legislature would be working on the issue in the future.

[10:11:26 AM](#)

Mr. Watson looked at slide 29, "Tailwinds":

- Alaska three-legged stool
  - Petroleum
  - Federal Spending
  - Other "Export" Industries (tourism, mining, fishing, air cargo)

[10:12:06 AM](#)

Mr. Watson addressed slide 30, "Petroleum":

- Short term
  - Production down slightly
  - Prices (?)
- Medium term (Development)
  - Willow 180k bbl/d
  - Pikka 80k bbl/d
- Long term (Leasing, Exploration)
  - Limited enthusiasm for Cook Inlet, ANWR
  - Energy transition
- "Capital Discipline"

Mr. Watson stated that the production timeframe for the industry was the short-term, medium term, and long term. He said that in the short-term the Department of Revenue was forecasting that oil prices would hold at \$75 to \$80/bbl at 500,000/bbl per day. He said that there was uncertainty surrounding oil prices but less uncertainty around the

production numbers. He said that in the medium term, the Willow and Pikka projects would add significantly to oil production. He considered the long-term activity and characterized the results of current lease sales as "lackluster" but recognized other areas of exploration on the North Slope. He noted that the transition away from fossil fuels should be monitored. He spoke to capital discipline in the industry and thought that it would be an important factor in the coming years. He said that looking at the last few years, firms had been reluctant to make large scale investment and drilling activities and gas sector employment were down. He discussed the idea that investors wanted a return on their investment.

[10:16:46 AM](#)

Co-Chair Stedman anticipated that the committee would be requesting updates on oil prices as trends changed.

Mr. Watson advanced to slide 31, "Federal Spending":

- CARES/ARP Funding winding down
- Infrastructure/IRA winding up
- 2023 Construction Forecast
  - Private sector: \$2.83 billion (\$520 over 2022)
  - Public sector: \$2.4 billion (\$297 over 2022)
- Military spending (Arctic's strategic location)

Mr. Watson relayed that he had pulled some numbers from the 2023 McKinley Capital Construction Forecast, which could provide a tailwind for the economy. He thought the war in Ukraine could lead to increased military spending.

[10:18:44 AM](#)

Mr. Watson showed slide 32, "Other Industries":

- Tourism (Record cruise ship visitors)
- Mining - ISER projects industry to hold steady in "status quo" scenario
- Fishing - Record runs in Bristol Bay, but closures in crab fisheries

Mr. Watson said that independent travelers spend more money in the local economy. He stated that the hard rock mining industry over the next 10-20 years was projected to remain

flat. He relayed that closures of federal fisheries would continue to fuel fisheries debates.

[10:20:58 AM](#)

Mr. Watson addressed slide 33, "Summary":

- Alaska continues to recovery from the pandemic, but more slowly than most of US
- Headwinds
  - Inflation (and the Fed's response to it) represents key short-term headwind
  - Tight labor markets are raising wages, but creating hiring challenges for firms
  - Alaska's demographic/outmigration issues
- Tailwinds
  - Federal spending
  - New oil development
  - Tourism

[10:22:28 AM](#)

Mr. Watson considered slide 34, "Recently Released and Ongoing Work":

- Economic and Environmental Impacts of Mining
  - Brett Watson, Bob Loeffler
- Transportation costs in rural Alaska
  - Mike Jones
- Economics of preventative health care
  - Mary Kopriva
- Workforce Development (STEM, education, construction, fisheries)
  - Dayna DeFeo
- Natural disasters
  - Jen Schmidt
- Climate Change
  - Matt Berman
- Rural infrastructure
  - Marie Lowe

Mr. Watson relayed that the slide highlighted work being done by his colleagues at the institute.

[10:23:23 AM](#)

Co-Chair Hoffman relayed that the committee had been dealing with the issue of rewriting the Permanent Dividend formula for several years. He noted that Mr. Watson had not touched on the issue. He wondered why it had not been included in the presentation.

Mr. Watson noted that there were a few issues related to the economics of the Permanent Fund Dividend and the impact of the dividend on the state's economy. He noted that Mr. Robinson had mentioned that economic uncertainty, with respect to the state's fiscal situation, created uncertainty for businesses that were considering investing in the state. He mentioned an ISER report that was authored by Mouchine Guettabi that spoke to the effects of the uncertainty on investors. He mentioned a 2016 ISER study that discussed various impacts of fiscal options available to the state that discussed decreased in the dividend amount. He said there was no ongoing research currently being done but that a follow-up to the 2016 report was being considered.

[10:26:46 AM](#)

Co-Chair Olson mentioned carbon sequestration and capture as proposed by the governor. He asked for Mr. Watson's view on the matter.

Mr. Watson thought that there was a potential positive environmental impact and pondered the potential impacts to the state's budget. He had not seen any rigorous analysis about how much additional carbon savings might be achieved through a more robust state plan with respect to sequestration. He thought even if the potential environmental benefits were small, the potential positive benefits to the state could be large.

Co-Chair Stedman noted that there was some work being done on natural disasters and asked that the work include potential repercussions from the federal government putting restraints on the funding for the rebuilding of coastal communities in the state. He mentioned FEMA and federal flood insurance and requested that the information be considered in the natural disaster analysis.

Mr. Watson agreed to pass along the request.

Co-Chair Stedman thanked Mr. Watson for the work his organization had done to help the legislature with policy discussions. He extended appreciation to the presenter and the committee for completing the day's agenda in a timely manner.

Co-Chair Stedman discussed housekeeping.

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ADJOURNMENT

10:31:26 AM

The meeting was adjourned at 10:31 a.m.