

*Bradners'*  
**Alaska Economic Report**  
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## **Fast track for federal health care funding**

### **Application due soon for \$100 million in Big Beautiful money**

The state's Congressional delegation delivered on a provision in the new Big Beautiful tax and spending bill passed by Congress. The state is now on a fast-track to get an application in for health care transformation grants in the program that will bring at least \$100 million yearly to the state for five years. The challenge is that the state Department of Health must have the application to the federal government in the next four to six weeks. The money will be distributed to states and must be paid out to selected health transformation projects, by Dec. 31. A second pot of money in Big Beautiful federal health care funding could bring an equal amount to the state that will be awarded directly by the federal Center for Medicaid and Medicare based on applications. Alaska Sen. Lisa Murkowski said this could total as much as \$300 million. The \$100 million to the state is guaranteed but the additional \$100 million to \$200 million is discretionary fund. However, Alaska is in a good position to get these funds because

of the state's rural character and criteria set out in the law, state Department of Health commissioner Heidi Hedburg said. In a "Request for Information," a kind of preliminary request for proposal also sent out by the health department, 160 responses came in from the medical community. Hedburg said the state is seeking ideas to improve delivery of care, lower costs, build the health care workforce and other innovations. Pilot programs for new payment methods other than traditional "fee for service" may also be funded, she said. Fee for service bases payment on the numbers of procedures by medical providers but with no incentives for outcomes of care or efficiency.

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## **Record \$185 million in federal transportation "redistribution"**

Alaska netted a record \$185 million in the annual August "redistribution" of unspent federal transportation funds distributed to states but unused. Alaska typically gets a share of this but received an unusually large amount this year, state Department of Transportation of Public Facilities officials said. The money is essentially added to the normal federal/state transportation projects

underway but typically goes to advance "shovel ready" projects. Those include safety, bridge and pavement projects, non-motorized improvements and community access, mainly in rural areas. Money will go to a lot of paving projects but will also fund work on the first few miles of the West Susitna access road in the Mat-Su, which is state-funded.

## **Big Beautiful's oil benefits less than hoped?**

Some of the federal oil benefits from the Big Beautiful bill passed by Congress will be less than Alaskans expect. The widely publicized increase in oil royalty revenue-sharing from 50% to 70% to the state from National Petroleum Reserve-Alaska production will be only on *new* federal leases issued after this year, which will also require new lease sales. This means the royalty share from ConocoPhillips' Willow field, due to start production in 2029, will stay at 50% along with any production from existing NPR-A leases that companies will be exploring. Also, the federal requirement that the state's 50% share goes to the North Slope Borough and five small villages remains in effect for the Willow field. This means several hundred million dollars per year will go to the North Slope communities rather than to the state. The state Legislature could move to change this but it would prompt lawsuits and would be politically messy.

*In contrast with the NPR-A, the new 70% royalty share to the state from the Arctic National Wildlife Refuge, or ANWR, and from federal Lower Cook Inlet federal leases, existing and future, will all go to the state treasury. However, companies must first discover oil in ANWR and Lower Cook Inlet.*

### **Hilcorp expands its Yukon Flats oil and gas exploration**

Hilcorp Energy has expanded its Interior Alaska oil exploration program to include state lands in the Yukon Flats Basin as well as lands owned by Doyon Ltd. and small village corporations.

### **Change in Ketchikan Shipyard operator**

The Alaska Industrial Development and Export Authority will end a contract with Vigor Industrial to operate the Ketchikan shipyard, which AIDEA owns, effective in November. JAG Alaska, which operates shipyard services at the Seward Marine Industrial Center, will be contracted to operate the Ketchikan yard while the authority seeks a new, long-term operator. The shipyard is a major employer in Ketchikan.

### **Mixed views on Goldbelt tourism project in Juneau**

Goldbelt Inc. is in a deal with Royal Caribbean Cruise Lines to develop a major tourism project on the west side of Douglas Island, the large island across Gastineau Channel from Juneau, the state capital. Goldbelt, Juneau's urban Alaska Native corporation, owns land on the west side of the island and has been working for years on some way to develop the property. Housing, which Juneau needs, was a prospect considered earlier, but a road extension is needed into the area and, more importantly, a second bridge across Gastineau Channel given congestion on the current bridge. But the bridge planning and road are moving at a glacial pace, so Goldbelt is moving ahead with the tourism project, which will have its own dock, shops for visitors and will be largely independent of Juneau. Some Juneau business leaders are wary of the project in drawing visitors away from the city, undercutting a thriving summer industry, but others say Juneau is already overcrowded in the summer and drawing off some cruise ships could reduce congestion and also accommodate expected continued growth in cruise tourism.

## Job growth slows as oil projects move toward completion

The state economy is stable but job growth is slowing as work on oil projects move toward completion of one new oil field, Pikka, although activity continues on ConocoPhillips' Willow project. These two initiatives along with Hilcorp Energy's work at the Prudhoe Bay and Milne Point fields, have mainly fueled employment gains over the past year. Pikka is approaching completion, so its construction pace will slow this fall. Willow has three more winter seasons of construction before it is completed in 2029.

Total Alaska employment was up 0.8% and private sector jobs were up 1% in July according to employer surveys by the Alaska Department of Labor and Workforce Development. The increases are year-over-year and measured against job counts in July, 2024. Growth accelerated during last winter with the pace of North Slope work, but is now slowing. Winter is when most North Slope construction happens and the last two winter seasons have set records in construction employment, at least since building of the Trans Alaska Pipeline System. About 5,000 were employed between contractors for Santos, Ltd. at the Pikka project, and ConocoPhillips at Willow.

If it weren't for oil work and some government-funded construction under the federal Infrastructure Investment of Jobs Act, or IIJA, the Alaska job numbers would be essentially flat. Tourism is slow this year, with a tepid growth of 0.2% in leisure and hospitality jobs, which is an indicator of trends in the visitor industry. Tourism has been growing steadily in recent years but has slowed this year because of concerns for the economy and, for overseas visitors, worry about delays and detainment at international arrival airports due to President Donald Trump's border policies. Retail jobs in Alaska are down -1.5%, and financial services, another general indicator, is also down -0.9% and information services jobs were also down, at -8.9%. Keep in mind that retail jobs were eroded by increased online shopping, and financial and information service employment is affected by technology improvements.

Federal government employment is down, at -1.2%. State job numbers were flat while municipal employment was up 0.3% (this includes tribal employment). Health care jobs, which has been steadily growing for several years, was up 2.1% in July, and professional and business services, a category that includes environmental services and consulting as well as engineering, was up 1.3%. The state employment estimates exclude uniformed military but does include jobs with the University of Alaska and public schools. Also, the data is based on surveys of employers that are voluntary and are subject to revision. The revised data is published quarterly and are based on actual employee counts by employers, which are required under state law. While oil employment will decline somewhat this winter with completion of the Pikka field, Santos Ltd. has said what it will move into a phase two expansion of the field soon after production begins in the current phase one. That will increase construction jobs again. Meanwhile, work at Willow construction will continue and ConocoPhillips also plans a major exploration program this winter, which will boost jobs during the cold weather months.

## With change in owners Donlin Gold sees new momentum

The big Donlin Gold project has fresh momentum under its new ownership structure. In its busiest work season is years, the project has 70 people on site and four drill rigs doing further resource delineation and geotechnical drilling, project managers told the Resource Development Council Sept. 4. Drilling includes tests on local gravel deposits, which is important as the project moves into construction planning. Four years of construction are anticipated at Donlin Gold with production planned to start in 2031 or 2032, RDC was told. The mine would employ 600 to 700 in operation. A contract for an updated feasibility study is to be awarded soon to an engineering consulting firm, RDC was told Sept. 4. NovaGold Resources is now 60% owner of the project with Paulson Advisors, an investment company, as 40% owner, following Barrick Gold's exit from the project this summer. NovaGold has been a 50% owner for years with Barrick. Paulson has been a major investor in NovaGold and is very familiar with the project, Donlin Gold managers told RDC.

*There is concern for natural gas needed for the project to be delivered through a planned 315-mile pipeline because gas production in Cook Inlet is expected to decline. Donlin Gold told RDC said its gas purchases would be substantial and could be a major incentive for new gas development in the Inlet.*

## Increase in tourism for Fairbanks? July data shows an uptick

It's a soft year, with tourism slightly down, but July saw an encouraging uptick in visitor numbers for Interior Alaska, according to Explore Fairbanks, the regional tourism association. Air passengers arriving and departing Fairbanks were up 3% over July 2024. Alaska Railroad passengers were up 10%.

## Chugach Electric files for rate increases in Southcentral Alaska

Chugach Electric Association is requesting a 3% increase in retail rates to cover shortfalls in revenue due to warmer weather, declining sales and higher costs. The Southcentral Alaska utility projects a \$11.2 million shortfall without the increase, which must have Regulatory Commission of Alaska approval.

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