DCCED Priorities

to promote a healthy economy, support strong communities, protect consumers

STRONGER ALASKA
Economic prospects looking up.

Alaska Confidence Index (by quarter)

Blue Skies

Mixed Reviews

Lack of Hope

Q1  Q2  Q3  Q4  Q1  Q2  Q3  Q4  Q1  Q2  Q3  Q4  Q1  Q2  Q3  Q4
...but more work is needed

- Worldwide competition for oil and gas dollars requires that Alaska resolve its political fiscal debate
- Despite budget cuts, service cuts, job losses and best intentions, political compromise eludes us
- Our fiscal situation could dissuade investment. A stable, diversified state fiscal plan is more attractive to investors than annual political battles over the deficit
Alaska’s competition

Active oil and gas wells February 2017

Source: Washington Post, February 2017
Alaska’s competition

Oil Production by Geologic Region
Millions of barrels of oil production per day, 2007-2017

Source: Washington Post, February 2017
Are we competitive?

Production costs per barrel

All numbers 2016. Cost is average of all barrels produced, including operating and capital expenses, transportation, royalty expenses, production and property taxes.

Sources: Alaska Department of Revenue Fall 2016 Revenue Source Book, Rystad Energy UCube
Development requires investment

From a potential investors perspective...

- Alaska has promising opportunities for development
- Alaska’s annual state budget deficit is ~$2.7 billion
- Alaska is currently relying on savings, and has been drawing down savings for multiple years
- Alaska lacks a diversified state fiscal plan, prompting annual political debates over the deficit
- Potential investors worry that Alaska relies too heavily on oil and gas revenues
Development requires investment

From a potential investors perspective...

Alaska has promising opportunities for development

Our inability to craft a long-term, stable fiscal plan hurts Alaska’s economy — and we cannot afford it

drawing down savings for multiple years

Alaska lacks a diversified state fiscal plan, prompting annual political debates over the deficit occur

Potential investors worry that Alaska relies too heavily on oil and gas revenues
Can we rely solely on oil and gas?

Production Forecast: ANS History and Forecast by Pool

- Prudhoe Bay
- Kuparuk
- PBU Satellites
- GPMA
- Endicott
- Kuparuk Satellites
- Alpine
- Offshore
- Point Thomson
- New Fields

Fiscal Year


Thousands bbls/day
You seem to be very well educated on stuff that you made up.
Hypothetical scenario:
A company proposes a major investment in the Fairbanks North Star Borough
## Hypothetical development scenario

<table>
<thead>
<tr>
<th>Fairbanks North Star Borough</th>
<th>State of Alaska</th>
</tr>
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<tbody>
<tr>
<td>4,000 jobs move to Fairbanks Borough</td>
<td>5,000 new jobs created in the borough</td>
</tr>
<tr>
<td>$22 million in property tax revenues</td>
<td>No new revenues</td>
</tr>
<tr>
<td>$10 million in new education expenses</td>
<td>$25 million in new education expenses</td>
</tr>
<tr>
<td>$12 million in roads, emergency services, social services, other needs</td>
<td>$5 million in increased cost for troopers, DOT, courts, prisons, Medicaid, child care assistance, etc.</td>
</tr>
<tr>
<td>New revenues exceed new expenses</td>
<td>$30 million in additional expenses, no new revenues</td>
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Can the borough budget afford it? **Yes**  
Can the state budget afford it? **No**
Across communities, the situation is the same

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<tr>
<th>Alaska Community</th>
<th>Local Impact</th>
<th>State Impact</th>
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<td>+4M</td>
<td>-26.5M</td>
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<td>+12 M</td>
<td>-30.0M</td>
</tr>
<tr>
<td>Mat-Su Borough</td>
<td>+20M</td>
<td>-27M</td>
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<tr>
<td>City and Borough of Juneau</td>
<td>+13M</td>
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Without a fiscal plan – we fail to realize the full potential of economic development
State funds matter locally

### Municipalities and schools depend on state help

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<th>Local Governments</th>
<th>Fiscal Year 2017</th>
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<tbody>
<tr>
<td>Kenai Peninsula Borough</td>
<td>$103 million</td>
</tr>
<tr>
<td>Fairbanks North Star Borough</td>
<td>$155 million</td>
</tr>
<tr>
<td>Mat Su Borough</td>
<td>$223 million</td>
</tr>
<tr>
<td>City and Borough of Juneau</td>
<td>$59 million</td>
</tr>
<tr>
<td>Municipality of Anchorage</td>
<td>$443 million</td>
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**Total** $983 million
The perfect solution?
Statewide Economic Strategy

Alaska’s Economic Strategy
Building a strong and sustainable future
Contact our Office:

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