Alaska Dispatch News

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Pat Forgey [1]
March 26, 2015

JUNEAU -- David Teal knows that people often don't like to hear what he's got to say. But he had a packed house Thursday to hear him talk about the state budget.

"As a practical matter, you simply cannot cut your way to a sustainable budget," said Teal, the Alaska Legislature's top budget expert. He's director of the Legislative Finance Division and one of the most knowledgeable observers of the state's financial situation.

Teal's look at options for Alaska to get out of its $3.5 billion budget deficit has previously been made behind closed doors to legislators but House Finance Committee co-chair Steve Thompson, R-Fairbanks, invited the public to an informational presentation from Teal on Thursday.

Thompson called Teal's presentation "a reality check" for Alaskans looking for a way out of budget deficits.

Among Teal's observations: Alaska could shutter every state agency and still have a $1 billion deficit.

That's because the budget includes enough items, such as spending for local schools, debt service, oil and gas tax credits, past retirement costs and Medicaid, that are difficult to cut, he said.

So far during this year's legislative session, Gov. Bill Walker and legislative leaders have focused on cuts, but Teal said that's not enough.

Alaska's path to a sustainable budget will likely have to involve some combination of cutting spending, increasing revenues and using the Permanent Fund in some way, Teal said, and while the numbers have changed over the years, the basic elements haven't, he said.

New revenues could come from things like income taxes, sales taxes or other taxes, he said.

But what Alaska also needs are oil prices higher than they currently are, he said, and that's something that can't be counted on.

"We have no idea where oil is going," he said.

Teal has developed for legislators a spreadsheet model in which various combinations of increased revenues can be entered to see how each changes the overall budget picture.

For example, he said, an income tax set at 10 percent of federal income taxes would bring in $300 million per year, while a 1 percent sales tax would bring in about $100 million.

None of the options actually closed the budget gap but they all got closer.

The good news, Teal said, is that Alaska has billions in savings from when revenues were high to cushion the budget. But under likely scenarios, all the savings will be exhausted and the budget gap will remain, he said.

Teal also showed several options for using the Permanent Fund to close the gap. One option is spending the earnings reserve, which the Legislature can do now legally but not necessarily politically. It could also switch to an endowment-type system called percent of market value but that would take a constitutional change.

Various changes to government funding would hit Alaskans very differently, he said.

"Most of the people in this room would be far more affected by an income tax than they would be by the loss of your Permanent Fund dividend," Teal said to a room full of government employees and lobbyists.

"But if you are a family living in a rural area that relies on your dividends and those of your kids for 50 percent or more of your cash flow, that reduction in dividends is a big deal," he said.

One flaw of the model, Teal said, was that it wasn't sophisticated enough to look at secondary effects of actions such as cuts to government spending, which might cause job and population losses.

Rep. Dan Saddler, R-Anchorage, said there's an assumption among Alaskans that there's a "huge, bloated state government" and that the state's financial problems would go away with sufficient cuts.

Teal said that when inflation and population are calculated in, that's not what the data show.

"What that shows is the current level of spending, in real per capita dollars, is roughly what it was in the '80s," he said.

Thompson told the public that the Teal presentation was not intended to advocate for any specific solution but to "make the wheels start turning in your head" and get people thinking about alternatives.

"Without some drastic changes, we are going to have more major problems than we have today," he said.

Source URL: http://www.adn.com/article/20150326/reality-check-state-budget-analyst-urges-fiscal-solutions-beyond-cuts

Links:
[1] http://www.adn.com/author/pat-forgey

Alaska Dispatch News

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Attachment	Size
"The Great Alaska Recession" [1]	512.77 KB

Jeannette Lee Falsey
June 24, 2015

Is Alaska's economy in a recession?

With oil prices low for more than a year and resulting state budget cuts [2], it's a question on the minds of many Alaskans.

One economic consultant, Gregg Erickson, declared in a recent report commissioned by the Alaska Mental Health Trust Authority titled "The Great Alaska Recession" that the state is in the midst of a "major" recession.

But in a phone interview with the Alaska Dispatch News, Erickson appeared to change his mind.

"The numbers don't say we're in a great recession," Erickson said. "Maybe we should have couched these conclusions in less dramatic language."

Other Alaska economists agree there's no recession. Not yet, anyway.

That Erickson could simply declare the existence of a recession, with little data to back up his claim, underscores the fact that the definition of a recession is somewhat subjective. There is no set standard -- as there is for measuring earthquakes -- for decisively assessing shakiness in an economy.

Telltale signs

To begin with, a recession is usually defined as a significant slowdown across the economy that stretches on for more than a few months.

Seems simple enough. But pinpointing the start of a recession is not easy. The signals marking the arrival of troubled times vary depending upon the characteristics of an economy and availability of data. Sometimes those signals conflict.

At the national level, employment, real income, real gross domestic product and retail sales are among the major indicators used by the National Bureau of Economic Research [3] to take the temperature of the U.S. economy and make the official call a recession has begun or ended.

But at the state level, the data for most of those indicators are less accurate or harder to measure -- or they don't reflect the true health of the Alaska economy.

"We don’t have those more sensitive national numbers and even with them they often get it wrong," said Neal Fried, an economist at the state Department of Labor.

That leaves year-on-year employment data as the best gauge of the state's economic well-being. How many people were employed last January versus this January? And last February versus this February? And so on.

Based on those employment statistics, "our numbers are not showing that we're in a recession," Fried said.

Likewise, Gunnar Knapp, director of the Institute of Social and Economic Research [4] at the University of Alaska Anchorage, sees no obvious evidence that Alaska is in a recession.

"There are no available data as of this time that clearly point to it," he said.

Who makes the call?

There is no institution, either private or public, at the state level with the authority to officially declare the start and end of a recession.

Alaska's economists are the default authorities on the subject, but though they agree employment is the best measure of a recession, there is no formal consensus among them as to how many consecutive months of falling employment would constitute one.

"There's no hard and fast rule for declaring a recession," said Jonathan King, senior economist and principal at the Anchorage-based consulting firm Northern Economics. "For me it's an increase in the frequency of, or a string of, months with lower employment than the year before and average monthly employment declining year over year."

Scott Goldsmith, professor emeritus of economics at the UAA Institute of Social and Economic Research, has a slightly different view.

"I would argue that a reduction in employment, measured on an annual basis, would be the best indicator," he said.

Fried thinks significant year-on-year job losses over a period of time -- a year, perhaps -- might qualify as a recession.

In his report, Erickson based his assessment on a brief time period -- just two months' worth -- of negative employment numbers in August and September 2014. But during every other month that year and in four of the five months of available preliminary data for 2015, employment growth, although low, was in fact positive.

Economists may not conclude a recession is in progress for some time because collecting and organizing data is time-consuming. The National Bureau of Economic Research did not pinpoint the December 2007 start date of the Great Recession until a full year later.

"The problem with many indicators is there is a long lag time," Fried said.

Far from optimistic

There are other, less formal indicators that taken together can help tell the tale of economic contraction.

In the mid-1980s, at the onset of the largest, most devastating recession in state history, the number of new residents tapered off, business failures climbed to a historic high, real estate values fell, construction withered and the number of delinquent commercial loans leaped.

According to an 1986 article in the Anchorage Daily News, restaurants even reported people ordering more burgers and fewer steaks.

Alaska's economists do not predict a recession nearly as disastrous, but they are far from optimistic about the future.

"We expected the first half of the year to be okay and it's the second half of the year that we're more worried about because the state budget will be smaller," King said.

Erickson predicts the disappearance of at least 4,000 Alaska jobs by September of this year.

"I'm doing a worst-case scenario here," he said.

Knapp noted preliminary employment for May 2015 was lower than it was the same month a year earlier, which could be the signal that a recession has begun. But the figure does not point to a significant decline, he said, and could still be revised.

The persistence of low oil prices could very well catalyze a recession in the near future. Low prices have already dampened the economic engine of government spending and may well do the same to oil industry activity.

"Indeed," Knapp said, "there are many reasons for concern."

Source URL: http://www.adn.com/article/20150624/alaska-economy-tepid-not-recession-yet-economists-say

Links:
[1] http://www.adn.com/sites/default/files/Erickson150412%20The%20Great%20Alaska%20Recession.pdf
[2] http://www.adn.com/article/20150611/alaska-legislature-passes-budget-and-erin-s-law-then-adjourns-overtime-session
[3] http://www.nber.org/
[4] http://www.iser.uaa.alaska.edu/

Alaska Dispatch News

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Dermot Cole [1]
March 15, 2015
Main Image:
Permanent Fund [2]

Oil taxes and royalties have been the source of about 90 percent of Alaska's unrestricted general revenues, but with oil prices flagging and production way down, they're not coming close to matching state spending. Alaska is staring down a $3.5 billion deficit and the state's long-term prospects are bleak.

One bright spot: Investment income from state savings has shown remarkable resiliency and has overtaken oil-production taxes in their value to the state. But the deficits will require the Legislature to spend down those savings accounts, eliminating any help they could provide. Only one giant savings account is protected by the state Constitution: the Alaska Permanent Fund.

Veteran Alaska Dispatch News reporter Dermot Cole has written extensively about state spending and the Permanent Fund from his base in Fairbanks. Now, in this three-part series, he examines how we got to this point and what we can do to move forward.

First of three parts

A chartered United Airlines DC-8 lifted off from Anchorage International Airport on the most bizarre run to the bank Alaskans have ever seen.

The jet took off at 7:05 p.m. Sept. 10, 1969, for a nonstop flight to New York.

The cargo? Checks valued at about $180 million, more than $1 billion in today's dollars, written by the world's major oil companies that day for the right to look for oil on the North Slope.

In that distant time before Internet banking -- a decade after statehood and seven weeks after Neil Armstrong walked on the moon -- the bankers delivered the checks to New York the next morning, allowing the state to start collecting $41,000 a day in interest.

Since that first windfall, supplemented within days by the rest of the $900 million from the big 1969 North Slope lease sale, the state's fortunes have risen and fallen with the cycles of the world oil market.

Alaska's financial dilemma - read all three stories in the series [3]

The pattern of spikes and crashes has played out many times through the decades, with a predictable response each time from Alaska -- euphoria when oil prices rose and cries for cutbacks and fervent promises to become frugal when oil prices collapsed.

Alaska, still more dependent on oil than any other state, has been stunned in recent months by a revenue collapse, at a loss about what we should do next.

The collective pause stems from the speed at which assumptions about the economic foundation of Alaska have crumbled in the face of world events.

Legislators and the Parnell administration signed off on the 2015 the budget last spring, portraying it as a model of conservatism, fully confident oil would stay near $100 a barrel.

While they ran for office last summer and fall, no one warned of oil prices in the $55 range or that a collapse was coming.

The state budget analysis did not include oil price predictions below $90, which seemed reasonable at the time. It's apparent now they were not.

In his State of the Budget address, Gov. Bill Walker had some somber words about the need to adapt.

"If prices stay low next legislative session, we will need to discuss more traditional revenue options."

The Legislature has so far shown no desire to start discussions on "traditional revenue options," a euphemism for taxes. Legislators prefer to wait.

While general talk of the need to cut back "some day" is more popular than ever, specific remedies that involve immediate pain in the form of spending cuts or tax increases are less plentiful.

It's no surprise some lawmakers have invested more time in marijuana regulations and ending daylight saving time than in preparing for the likelihood that, if oil prices don't rise, the next step will be a giant one off the fiscal cliff.

It's easier to fume about federal overreach or hope the problem will just go away than fill a budget hole that amounts to about $5,000 per Alaskan per year.

Cutting spending, increasing taxes and dipping into the earnings reserve of the Alaska Permanent Fund are not without political consequences.

And of course, oil may bounce back to the prices seen last summer and give the state a reprieve once more.

The state's long-range revenue forecast is founded on that assumption, with prices in the $118 range expected by 2018.

But in a presentation to legislators about financing options for a gas pipeline in February, an executive of Lazard, an international consulting firm, said of those assumptions, "This looks optimistic to us."

If the predictions are overly hopeful, the state will need to reassess every aspect of its finances and its revenue sources during the next year or so. David Teal, the director of the Legislative Finance Division, told legislators early this year they ought to be talking about raising revenues now.

A division report said it is no more practical to balance the budget immediately than to hope oil prices will save the state once more. He said delaying action in raising new revenue increases the odds state reserves will be gone in a few years.

"You don't have a lot of time left, in terms of reserve balances, at $60 oil," Teal told legislators. "Your choice now is fall off a cliff or build a ramp."

Legislators are likely to leave Juneau this spring with the state closer to the cliff with no sign of a ramp because none of the exit strategies are painless.

A finance report said new taxes take time to implement and they are “almost universally unpopular with citizens,” which makes them almost universally unpopular with legislators.

“Cut spending first” is a common refrain, but the largest parts of the budget are dedicated to education and Medicaid. Cutting education means increasing class sizes and cutting Medicaid means decreasing services for the most vulnerable members of the population.

When vague talk becomes a tangible reduction plan, it becomes a controversy.

One early signal of the challenge occurred when Republican members of the House Finance Committee grumbled Feb. 12 about a move by the Walker administration to reduce the amount set aside or future education spending by 10 percent for fiscal year 2017.

Budget director Pat Pitney said it was not an attempt to cut future education spending in 2017 by $100 million, but to discuss later this year whether the formula needs to be revised.

“The administration said we’re not going to forward fund as much and we’ll wait for the discussions over the student formula that are anticipated this summer,” she said.

But Rep. Mark Neuman, the co-chairman of the finance committee, said he had not heard that anyone wants to talk about the education formula this summer.

Rep. Lance Pruitt said lawmakers aren’t ready to take a move of the magnitude proposed by Pitney.

“I think anyone that ever assumes that we’re going to solve that over the summer has not followed this process. That is the bloodiest thing you can get yourself into, is a formula discussion,” he said.

If oil prices stay down, it’s not clear where the money would come from to pay for the entire education budget in 2017.

The state revenue forecast envisions oil revenue will nearly double from 2016 to 2017, topping $3 billion. It is based on the assumption oil will average $93 in 2017.

If oil prices stay in the range of $50 to $60, the easily accessible state reserves will be spent in two or three years. If prices rise to about $85, that timeline may be extended by a year or two, the budget office estimates.

In years past, the roller-coaster ride on the Alaska economy typically featured a terrifying descent and a reassuring climb with a return to prosperity.

The big difference this time is oil production rates are far lower than in years past and a much higher oil price is needed to balance the budget -- meaning the chances of a prolonged deficit are far higher than ever before.

One indication of a gap between public attitudes and political options of the budget choices came during a public hearing in Fairbanks in early February, when dozens of people spoke about restoring programs for the needy, while there was little talk of budget cuts or raising revenue.

Only one person, retired Denali Elementary School Principal Tim Doran, suggested changes to the Permanent Fund Dividend should be considered as a way to fill the gap, and one person spoke about revenue in a roundabout manner to avoid saying the word “tax.”

“To go to a revenue system, pre-pipeline days, it’s OK with me as long as you guys don’t waste the money,” said that person, veteran vocation-education teacher Roger Weggel. “I didn’t want to say the dirty three-letter word.”

What complicates the budget discussion in Alaska more than any other factors is expectations are often wrong, and we remain tied to the world price for a single nonrenewable resource.

The predictions about what might happen with oil prices today may be no more accurate than those upon which the state relied last spring.

But as Alaska struggles to come to grips with the latest price plunge, the perennial dream of a budget model that is more sustainable, less dependent on the price of oil becomes a necessity.

That hinges in part on abandoning old notions of what constitutes Alaska’s financial assets.

One of the most consequential changes is, with the collapse in oil prices and the decline in production, the state is making more money today from investments than oil -- complicating the challenge of resource and financial management.

Next: Reserve funds grew fat in rich years and lately have earned more money than oil.

Source URL: http://www.adn.com/article/20150315/alaskas-financial-dilemma-state-dependence-oil-begins

Links:
[1] http://www.adn.com/author/dermot-cole
[2] http://www.adn.com/image/permanent-fund
[3] http://www.adn.com/list-article/20150318/alaskas-financial-dilemma-3-part-series

Alaska Dispatch News

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Pat Forgey [1]
April 8, 2015

JUNEAU -- The Senate Finance Committee on Thursday made public its capital budget proposal for next year and it is barely a shadow of recent years.

The proposed total of $1.46 billion is made up mostly of federal money for things like roads and has trimmed state spending of what is known as "unrestricted general fund" money to $108 million, down from the $150 million proposed by Gov. Bill Walker.

If that proposal stands, it will mean Alaska's unrestricted general fund capital budget will be down by nearly 95 percent from the peak capital spending year of 2012. Unrestricted general fund spending that year ballooned to more than $2 billion, out of a $3.66 billion total capital budget during the heady days of high oil prices and budget surpluses.

Senate budget leader Anna MacKinnon, R-Anchorage, has repeatedly signaled that dramatic cuts would come this year as oil prices fell and revenues plummeted.

"We don't have any money," she said. "We are trying to hold savings in savings," as the state doesn't know how long this period of low oil prices will last.

Among the cuts made to next year's capital budget, released Wednesday by the committee, are the elimination of $8 million for a University of Alaska Fairbanks engineering building, $7.1 million for a road and school in Kivalina, $3 million in the Alaska Housing Finance Corp.'s home energy rebate program and $850,000 for the Council on Domestic Violence and Sexual Assault's intervention program.

One new project was added: The trustees for the Exxon Valdez Oil Spill Trust Fund sought to use $8.2 million from the fund for a Kenai Peninsula Aquatic Restoration program. While legislative approval in the budget is needed, funding comes from the trust fund, rather than the general fund.

"Since it wasn't general fund, we felt it would help communities," MacKinnon said.

The Department of Transportation and Public Facilities got an extra $33 million in federal money to complete the Cape Blossom Road to the port in Kotzebue, which will allow $4 million to be returned to the general fund.

The cutting of the Kivalina projects may be controversial. The state agreed to build the school as part of a 2011 lawsuit settlement after rural schools challenged the fairness of school construction in Alaska.

"I know we want to honor our commitment to Kivalina, and we do not want to reopen that lawsuit," MacKinnon said.

She said that while a school site had been identified, there was no plan for construction of the school and road and she predicted there would be additional discussions among legislators on how to deal with that issue.

That lawsuit, Kasayulie v. State, was settled with an agreement and consent decree in 2011 that called for building five new schools, the last of which is Kivalina's, said state officials.

"The Legislature is willing to step up and do that," MacKinnon said, but doesn't yet know how to do it.

MacKinnon described a request for funding from the Council on Domestic Violence and Sexual Assault as one of the most difficult to deny given the need.

"We really felt that if we added one, there was so much need everywhere -- we were having to choose one program over another," she said.

MacKinnon is the former executive director of Anchorage's Standing Together Against Rape.

In addition to the $108 million in unrestricted general funds, the budget also includes $13 million in restricted "designated general funds" and $61 million in other state funds.

The Senate Finance Committee is expected to review the budget as soon as Thursday, and amendments may be made by the full committee, or when it later reaches the Senate floor.

Source URL: http://www.adn.com/article/20150408/capital-budget-gets-cut-back-even-further

Links:
[1] http://www.adn.com/author/pat-forgey

Alaska Dispatch News

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Nathaniel Herz
August 8, 2015

Gov. Bill Walker believes there's no way to close the state's multibillion-dollar budget deficit without new sources of revenue, like taxes or earnings of the Alaska Permanent Fund, and his administration has been spreading that message for the last two months.

In appearances before local leaders and chambers of commerce, top officials like Revenue Commissioner Randy Hoffbeck and Budget Director Pat Pitney have argued that lawmakers need to pass cash-producing legislation within the next year so the state has enough time to implement it before running out of money.

But as the clock ticks toward the start of the next legislative session, it's not clear that the state's legislative leaders are buying into that view.

In interviews this week, three lawmakers said that in spite of the Walker administration's efforts this summer, the Legislature is unlikely to budge much from its position that deeper spending cuts need to be made before Alaskans sign off on increased taxes or other other new sources of revenue to pay for government. And there's no sign that lawmakers will be holding hearings anytime soon to see what the public thinks.

"Are we going to just jump right out there and tax the working public more? We're going to take people's Permanent Fund dividends away when we haven't examined all these other options fully first?" asked Rep. Mark Neuman, R-Big Lake, the House Finance Committee co-chair. "Not me."

Those comments were echoed by the Senate's majority leader, North Pole Republican John Coghill, who said in an interview that even though revenue-boosting measures should be debated next year, his constituents "still think the government needs to be cut more."

"The governor just hasn't got the message through yet," Coghill said.

The Walker administration, meanwhile, says it's forging ahead with an economic plan that will be unveiled in late September or early October. And it's preparing for what administration officials expect to be a prolonged debate and contentious legislative session starting in January.

"I don't see it as them just writing a check -- it's going to be long and drawn-out. This is a monumental change for the state," said Pitney, Walker's budget director. "It's going to be a tremendous, tremendous discussion."

Deep-pocketed ally

Alaska's fiscal crisis stems from its reliance on taxes and royalties on oil and gas production.

The state hasn't had an income tax since 1980, and a plunge in oil prices last fall left the state with just $2.2 billion in projected revenue this year to pay for its $5.1 billion budget -- a gap that Walker's administration and many fiscal experts say is too big to close with spending cuts alone.

At the current pace of spending, the state's savings are only expected to last for three more years, with next year's budget already locked into place.

In June, as lawmakers concluded a prolonged legislative session by passing an operating budget with $400 million in cuts, Walker convened a two-day conference in Fairbanks [1] on the state's fiscal future.

Participants were asked to re-envision the size and scope of state government and to consider how to pay for it, with the Walker administration simultaneously releasing a digital fiscal model that allows users to tinker with different tax regimes and spending cuts [2].

During the conference, Walker emphatically proclaimed, "There's going to be taxes," [3]though he didn't say who would be taxed, or how much. Since then, he and his administration have held nearly a dozen informational meetings and lectures around the state, with audiences ranging from the Kenai and Soldotna chambers of commerce to the Fairbanks Rotary Club.

Those sessions have been held with an eye on the Legislature, where lawmakers hold the ultimate power to accept or reject any of Walker's proposals.

"It's an awareness issue," Pitney said. "They have constituents, and they've got to honor their constituents -- and the more we are out there, the more constituents may be aware."

Over the next few months, the Walker administration will have one deep-pocketed ally in its education efforts: the Rasmuson Foundation, whose board has authorized spending up to $2 million to advance discussions about the state's fiscal crisis.

The foundation is preparing to release the results of a poll of 1,200 Alaskans that gathered views on the state's economy and finances. And it may ultimately launch a messaging campaign to lend the budget problem more urgency.

The campaign, foundation president Diane Kaplan said in a phone interview, will be aimed at the general public rather than legislators themselves.

"Elected officials don't care about what the Rasmuson Foundation thinks. They care about what voters think," Kaplan said. "The voters have to urge elected officials to act now and do the right thing."

Like the Walker administration, the Rasmuson Foundation says lawmakers need to act during their next legislative session. So far, though, it's not clear that the general public views the state's fiscal problems with the same urgency.

'All-day, every-day message'

On the Kenai Peninsula, more than 100 people turned out to see Hoffbeck speak at a chamber of commerce lunch last month [4], said Tim Navarre, a Kenai city council member. But only three people stuck around for a subsequent demonstration of the state's digital fiscal model, according to a report in the Peninsula Clarion.

“No matter what issue it is in this state, it’s so tough to get people engaged, to get them to say we’re really in a problem,” said Navarre, a member of Walker’s transition team who participated in the Fairbanks conference. “It’s definitely going to take some work.”

Others following the discussions, like attorney and blogger Cliff Groh, said that a general level of public awareness of the state’s budget deficit has been sharpened over the past few months as the Legislature debated the hundreds of millions of dollars in budget cuts that went into effect July 1.

Still, he added, people are not yet recognizing the depth of the problem.

Groh, who chairs a public policy group, Alaska Common Ground [5], recalled discussing fiscal issues with a waitress who said she hoped taxes on newly legalized marijuana would close the state’s budget deficit -- even though the Walker administration estimates those will generate no more than $20 million next year.

Alaska Common Ground is sponsoring its own forum on the state’s fiscal future in mid-September. And the Walker administration will continue with an “all-day, every-day message” through the beginning of next year’s legislative session, said Pitney, the budget director.

But those efforts still may not be enough to prod lawmakers to act quickly. Pitney said state legislators haven’t shown interest in taking up budget issues in a special session this fall.

And while legislative leaders floated the idea of holding their own budget hearings over the summer, none have been scheduled so far.

“We’re trying to figure out what we’re going to do if we do it,” said Neuman, the House Finance Committee co-chair. “And if we can actually do it, what’s it going to take to do it, and what are we going to get out of it? More information to the public would be my hope.”

Rep. David Guttenberg, a Fairbanks Democrat, predicted that the Republican-controlled Legislature wouldn’t endorse any big fiscal proposals from Walker on political grounds, since the governor is a Republican-turned-independent who was elected last year with support from the Democratic Party.

The two branches of government, Guttenberg said, “have to come together to some understanding of what needs to be done, and you don’t have that.”

“I think that’s what we’re looking at until the Legislature changes,” he added.

While Republican legislative leaders -- many of whom represent more conservative districts -- have been skeptical about raising new money for the state, other GOP members have said they’d entertain tax legislation.

Rep. Paul Seaton, R-Homer, introduced an income tax bill in April, though finance committee leaders never gave it a hearing. Another tax measure, submitted by Sen. Click Bishop, R-Fairbanks, also never received a hearing.

One thing that will make tax proposals even less likely to get traction in the short term: Next year is an election year, said Coghill, the Senate’s majority leader. That will make lawmakers even more wary of voting for tax measures, for fear they’ll be used as grist for attacks from their electoral opponents.

Coghill, one of the Senate's most conservative members, said he'd endorse an open debate on taxes, or spending Permanent Fund earnings -- a move that could end up reducing the size of Alaskans' annual dividends.

But before his constituents will give him permission to support ideas like those, he added, "we've got to squeeze government." That means taking measures like layoffs or canceling state employees' cost of living raises -- a move that was debated in this year's budget process but was ultimately shot down.

Constituents are saying they can't give any more to the government, Coghill said, with one man telling him, "You can't get blood out of this turnip."

"I kind of get that," Coghill added. "I'm feeling pretty poor myself."

Source URL: http://www.adn.com/article/20150808/despite-budget-crisis-legislative-leaders-unwilling-address-revenue-options

Links:
[1] http://www.adn.com/article/20150607/conclusion-fairbanks-conference-whats-next
[2] http://www.google.com/url?q=http%3A%2F%2Fgov.alaska.gov%2FWalker_media%2Fdocuments%2F20150607_revenue-and-expenditure-model.xlsm&sa=D&sntz=1&usg=AFQjCNGORoYl5xTZSGeNB96eIseC0Yl5Jw
[3] http://www.adn.com/article/20150607/fairbanks-fiscal-cram-session-leads-new-focus-revenue-spending-services
[4] http://peninsulaclarion.com/news/2015-07-21/alaskas-budget-deficit-to-be-addressed-within-the-year
[5] http://akcommonground.org/

Alaska Dispatch News

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Attachment	Size
Fairbanks Chamber Fiscal Advocacy Position.pdf [1]	157 KB

Jeannette Lee Falsey [2]
September 13, 2015

Business leaders throughout Alaska have begun publicly staking out positions on the state's fiscal crisis in advance of next year's legislative session. It's clear not all of them agree exactly about how lawmakers should go about the delicate task of balancing revenue with spending.

There's widespread consensus about the crux of the problem: state government is spending billions more than it is bringing in and oil prices are not projected to rise high enough to prevent Alaska from burning through its savings in the next few years. Lawmakers need to make big changes in 2016 to prevent the state from going broke.

But there are variations in fiscal strategies proposed by the business community that, while deceptively subtle, could in fact lead lawmakers to radically different approaches in handling the budget situation during the next session of the Legislature, which begins in mid-January.

In a draft letter addressed to Gov. Bill Walker and sent to all 62 of the state's elected officials, the Alaska State Chamber of Commerce issued the most specific plan so far. The letter includes a list of descending priorities for lawmakers.

The chamber prioritizes cuts to services and programs, followed by capping the Permanent Fund dividend. As a last resort, the plan calls for "exploring new sales or income taxes on working Alaskans and, if necessary, businesses."

As of Wednesday, 19 businesses and business groups had signed the letter.

"The goal here is to show broad alignment among the business community, that while there is a problem, there is also a solution," said Rachael Petro, president and CEO of the Alaska Chamber.

The Alaska Bankers Association, in a letter dated Aug. 21 to Gov. Walker, House Speaker Mike Chenault and Senate President Kevin Meyer, urged an approach similar to the state chamber's.

But the board of the Anchorage Economic Development Corporation refused to sign the state chamber's letter in favor of its own approach, outlined in a letter [3] released Wednesday.

Unlike the state chamber, AEDC believes lawmakers should consider all options at once in "a measured combination of cuts, new revenues and growth."

"Our board decided not to take a linear step-by-step approach," said Bill Popp, president and CEO of AEDC. "When a business has a down situation like the state does and has the assets available to it like the state does, it comes up with a comprehensive plan to address its issues. That is the tone and direction of our letter."

Another letter [1] issued on Aug. 25 by the Greater Fairbanks Chamber of Commerce was similar to the state chamber's in its emphasis on cuts to services and programs, but took no stance on income, sales or corporate taxes.

"Our board did not oppose signing on to the Alaska Chamber's letter," said Lisa Herbert, executive director for the Fairbanks chamber. "Instead, the Board felt that it was important for our Chamber to have its own fiscal position since we are the premier business advocacy organization for Fairbanks and the Interior."

What is potentially confusing about these letters, and more are certain to come, is that many prominent businesses in the state belong to multiple business organizations. The three major oil companies -- ExxonMobil, BP and ConocoPhillips -- belong to the statewide and Fairbanks chambers of commerce as well as to AEDC.

ConocoPhillips spokeswoman Natalie Lowman did not respond directly to a question about which strategy the company actually supports.

"We would refer you to local economists who are currently studying the issue and/or have weighed in on the various ways to solve the state's budget problems," Lowman wrote in an email.

Katie Marquette, Walker's spokeswoman, did not specifically address whether the administration would have trouble distinguishing where companies stood on the fiscal issue or the scope of influence these and other similar letters might have on its future budget proposals.

"Governor Walker values the input of all stakeholders," she wrote in an email. "The administration will put out a fiscal stability plan later this fall that takes into account the public input that the Governor has received over the past few months. It will include the Governor's proposed spending levels and possible revenue options for the 2017 fiscal budget."

What all business groups seem to agree on is that the state and the Legislature need to act quickly.

"Prolonging the uncertainty has the potential to depress the long-term investment of capital, which ultimately harms Alaska's families and businesses," the Alaska Bankers Association wrote.

Already the fiscal situation has grown serious enough that two of the three major credit ratings agencies in the country are poised to downgrade Alaska's credit rating. In the last year, both Moody's and Standard & Poor's have revised their outlooks for Alaska from stable to negative.

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Next state budget proposal will include revenue package

By Jeremy Hsieh, KTOO - Juneau | July 17, 2015

(Photo by Jeremy Hsieh/KTOO)

The head of the governor's budget team urged local leaders on Thursday to get involved in the discussion of the state's precarious fiscal future.

"This is not a problem on the margin, this is a real structural issue for Alaska," said Pat Pitney, director of the governor's Office of Management and Budget. "So let people know to learn more about it. There will have to be changes."

She was addressing the Juneau Chamber of Commerce.

She says the governor intends to submit a budget in December that will include a revenue package. Options under consideration include various taxes and using some portion of Permanent Fund investment earnings to fund state government.

"But it really, it takes that legislative process to go through it, so tell your legislators here, 'Yes, it's time to do something,' and tell them what it is you want them to do," she said.

Without major fiscal changes, the administration anticipates consecutive years of multibillion dollar revenue deficits due to low oil prices, a decline in oil production and an increasing demand for state services.

http://www.alaskapublic.org/2015/07/17/next-state-budget-proposal-will-include-revenue-package/

As the Alaska Legislature makes cuts, ripples will splash across the state

• Revenue sharing program on the chopping block • Program will end by 2018 unless funding added • Some communities may be forced into bankruptcy

Posted: March 29, 2015 - 12:05am

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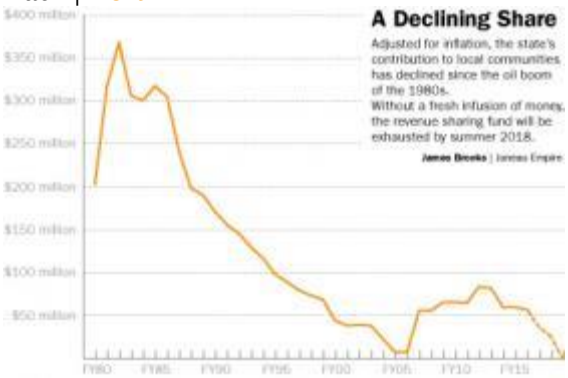

James Brooks | Juneau Empire
Revenue chart.

Attachment	Size
Revenue sharing communities of note	285.88 KB
How revenue sharing works	168.83 KB
Revenue chart	85.95 KB

By JAMES BROOKS
JUNEAU EMPIRE
Editor's note: Mobile users may download the infographics here:

- *Revenue sharing communities of note*
- *How revenue sharing works*
- *Revenue chart*

Alaska's oil is running out.

Now, so is the money.

In Arctic Village, a town of 192 people in the southern foothills of the Brooks Range, tribal administrator Tiffany Tritt-Yatlin faces a powerful problem.

"This year, we had it kind of rough because our generators all blew," she explained by phone.

With the sound of snowmachines rumbling in the background — it was minus 17 Tuesday night — Tritt-Yatlin said the community is running on an emergency generator from the Alaska Energy Authority. She's struggling to find a way to pay for a new generator and stay atop fuel costs for the existing one. With gasoline at $10 per gallon and heating fuel at $11 per gallon, fuel prices add up.

“From September to maybe May, it costs us $26,000 every 21 days to just get diesel,” she said.

That fuel is flown in on a rumbling propeller-driven aircraft emblazoned with the logo of Fairbanks-based Everts Air Cargo.

Most of Arctic Village’s residents live a subsistence lifestyle. They rely on snowmachines to hunt and fish. Jobs — at least as state officials label them — are scarce. According to the Alaska Department of Labor, one in four Arctic Village residents is unemployed. Of the other three who do have jobs, only one works year-round.

Most of the jobs that do exist come from the Arctic Village Council, administered by Tritt-Yatlin for the past five months.

“I create jobs for the residents,” she said.

Money that doesn’t buy fuel goes to jobs programs. It’s a constant balancing act.

Tritt-Yatlin’s problems are similar to those faced by villages, towns and cities across the state.

They’re only going to get worse.

As the Alaska Legislature seeks ways to resolve a $3.5 billion revenue shortfall, lawmakers are filleting the budget with the sharpest knives they can.

“Everyone is trying to turn over every rock and stone we have; it’s down to pennies, nickels and dimes,” Sen. Anna MacKinnon, R-Eagle River, said last week.

One of the Legislature’s biggest overturned rocks is the elimination of $60 million to fund the state’s revenue sharing program, which has sent money to communities across Alaska since 1969, with only one interruption.

From Hyder to Bettles, Mountain Village to Kodiak, towns large, small and miniscule rely on money from the revenue sharing program — born in the year of the state’s first big Prudhoe Bay lease sale — to pave roads, heat buildings, train medics and pump water. Lawmakers have said again and again that they support the program, but this year’s proposed state budget includes no money to recharge the fund that drives the program. Unless something changes, the revenue sharing fund will stop distributing money in summer 2018.

If that money goes away, so might many of the state’s smallest towns.

“We really need the funding,” Tritt-Yatlin said. “We really appreciate it.”

Small towns, big impact

If revenue sharing disappears, the effects will be largest in the state’s smallest communities.

“The majority of our municipalities are very small municipalities, and they have no tax base,” explained Kathie Wasserman of the Alaska Municipal League, which has been lobbying for the preservation of revenue sharing.

No town better represents that situation than Bettles, the state’s smallest incorporated town. With just 13 official residents, more than 94 percent of Bettles’ annual budget of $145,000 comes from the state. That’s a bigger share than any other incorporated community in Alaska and works out to more than $10,000 per resident.

If that seems like a lot, it is. No Alaska community gets more money per person than Bettles, which spends more than $70,000 each winter to build an ice road connecting the Dalton Highway to Bettles and its neighboring town, Evansville.

Bettles is an outlier. Most revenue sharing recipients are towns like Kongiganak in Southwest Alaska. Not far from the mouth of the Kuskokwim River, Kongiganak's 500 or so people live in a marshy, lake-dotted landscape that freezes into an expanse of white each winter. In warmer weather, four-wheeler-sized boardwalks connect homes and buildings to trails.

This summer, the Kongiganak Traditional Council — which runs the unincorporated town — will receive about $52,000 from the state.

In his application for the funding, tribal administrator Roland Andrew said one of his priorities for the money is the removal of a beaver dam. "From my understanding, there's actually two dams," he said by phone.

Ordinarily, Kongiganak residents ride skiffs across the ocean to Kwigillingok, a neighboring village about 11 miles distant. When the weather turns rough, they need an alternate route through the rivers and sloughs that mark this region. "We can't even head to the neighboring village if those beaver dams are there," Andrew said.

The dams cause other problems as well. Spawning salmon haven't been able to reach the lake where they normally lay their eggs — fish returns are down. Then, there's the issue of the current. The dams are slowing the flow of the Kongignak River, which is silting up. That's affecting the barge that brings supplies to town once the ice breaks. "When there used to be no dams, the barge could come in and unload; with the current slow, it takes 2-3 days to get from the mouth of the river to our village because the river is getting so shallow," Andrew said.

Kongiganak's economy used to be based on commercial fishing, but poor returns have all but shut that industry down, Andrew said. "We can't depend on the commercial fishing nowadays unless the salmon comes back strong," he said.

The Kongiganak council uses revenue sharing to fund operations that provide jobs. It's not the only source of revenue — the community levies its own taxes, hosts fundraisers (including three or four basketball tournaments a year) and rents apartments it owns. Andrew's also seeking ways to obtain more grants and funding for various programs.

As tight as things might be, he considers Kongiganak fortunate. Others are worse off, he said. "I know some villages that don't have an economic base are those that are going to feel it if the state revenue sharing is cut in the future," he said.

A history of help

There are plenty of other villages. In January, a state review found that of 164 incorporated boroughs and cities in Alaska, 162 received state revenue sharing. That figure didn't include the dozens of unincorporated towns and villages like Kongiganak.

The revenue sharing program dates to 1969 when lawmakers, anticipating revenue from Prudhoe Bay, set up a program to share oil proceeds with municipalities.

Though oil production was years away, the state netted more than $900 million from a Prudhoe Bay oil lease sale in August 1969. In Fiscal Year 1970, the state distributed just over $2 million in its revenue sharing program, the equivalent of $12.9 million today.

Municipalities were already receiving a share of state business taxes collected in their area, but the new program promised them a cut of this new oil money, too.

By the end of the 1970s oil was flooding through the trans-Alaska Pipeline System and revenue was piling up. Municipalities clamored for a larger share.

Lawmakers came up with a two-pronged system. They replaced the business tax kickbacks with set contributions and called it the "municipal assistance program." Instead of getting payments that varied with how much business was done that year, communities got a reliable, constant amount of money. The revenue sharing program was revised too, with new rules that factored in the size of communities receiving money and how much it was taxing its residents.

The parallel programs operated until 2003 with few changes. That year, the state was facing a $300 million deficit and forecasters predicted that falling oil prices would cause even worse trouble in a few years.

In response, Gov. Frank Murkowski vetoed funding for the revenue sharing and municipal assistance programs, saying that tough action was needed on the budget. (In 1997, "municipal assistance" was renamed "Safe Communities" and restricted to public safety spending.)

"This is the first major step in disciplining Alaska to live within our means," he told the Juneau Empire at the time.

To help communities adjust to the abrupt loss of revenue, the state diverted $18 million from federal stimulus payments to "temporary fiscal relief."

Despite that offering, a 2005 state report found many city governments struggling to survive. Thirteen communities had shut down their governments and another 57 were identified as facing insolvency — even bankruptcy — within two years.

In 2004 and 2005, lawmakers approved the "small municipality energy assistance" program. That was replaced within a few years by the "Municipal Energy Assistance Program" and then the "Community Energy Assistance Program."

While billed as ways to help communities cope with the soaring cost of fuel — oil prices were on the upswing — those programs acted as de facto revenue sharing programs and allowed towns to shift money from fuel payments to things like police, firefighting and road maintenance.

By 2008, oil prices not only rebounded but soared to $147 per barrel. The state was again collecting a flood of revenue. With costs no longer a looming concern, lawmakers restored the revenue sharing program. This time, they set aside $180 million and designed a program armored against abrupt shutdowns.

How it works

On the ninth floor of the State Office Building in Juneau, Lawrence Blood is among the state employees who administers the revenue sharing program.

"The program is actually pretty simple. It's fairly straightforward," he said. "We typically have $180 million set aside in the community revenue sharing fund. On June 30, we determine the fund balance and we take one-third of that fund balance out. So if it's $180 million, one-third of that is $60 million."

The state takes that $60 million and — using a complicated formula enshrined in state statute — determines what it calls a "base payment," the minimum amount a borough, city or unincorporated

town will receive. Anchorage receives the same amount as Bettles. Boroughs receive base payments too, money divided among each town in the borough.

All of the base payments are then subtracted from the $60 million. In 2014, those payments amounted to about $25.3 million. The remaining $34.7 million was distributed on a per capita basis. The state added up all the people in each of the revenue sharing communities — 730,728 altogether — and divided the $34.7 million among them. Larger cities got more, smaller towns less. Bettles gets 12 times the per-capita payment. Anchorage gets 300,000 times the per-capita payment.

But what happens when there's less money in the fund? Since 2008, the Legislature has fully recharged the fund five times. Twice, it put in more than the full amount. Last year was the first time it put in less.

"Last legislative session, the Legislature only appropriated $52 million," Blood said. "So when we took out the $60 million on July 1, the Legislature in the new fiscal year only put in $52 (million) back, so that left us at $172 (million)."

Because payments are based on an average, communities will see a decrease in their payments when the new fiscal year starts July 1, but they won't see a cliff's edge.

The amount dedicated to base payments will drop about $800,000. The amount dedicated to per-capita payments will fall about $1.9 million. "So these reductions hit Anchorage harder than the smaller communities because Anchorage's payment is mostly a per-capita payment," Blood said.

That doesn't mean smaller communities will escape losses. In Bettles, for example, the state payment will drop from more than $97,000 to less than $93,000. That might not sound like much, but when every dollar counts, that reduction will result in big changes — especially when it foreshadows bigger things to come.

Lobbying hard

On Thursday night, the city of Kodiak threw a party. There was king crab and snow crab, festivity and conversation.

This party wasn't in Kodiak. It was in Juneau's Baranof Hotel, and it had a simple purpose: lobbying. For years, the Kodiak Island Borough and the city of Kodiak have organized a reception in Juneau, using food to attract lawmakers and staffers. It's a simple strategy, but it works — lawmakers come, and city representatives get a chance to talk to them about issues important to Kodiak. The reception isn't the only lobbying Kodiak does; it usually caps a week of meetings.

"It gives you an opportunity to follow up with people you may have met here during the week and certainly do more one-on-one in a more casual way," said Pat Branson, Kodiak's mayor.

Almost inevitably, revenue sharing is among Kodiak's top priorities. Though the city of Kodiak relies on the state for only about 2 percent of its annual budget, that fraction — $572,306 in 2013 — is important, Kodiak city manager Aimee Kniaziowski said.

"We're in a better condition overall than a lot of places, but we're not wealthy by any means," she said.

Branson said Kodiak puts its revenue share into its general fund and uses the money to fund basic services: police, firefighting, roads and water and sewer. The city's overall goal, she said, is "to keep the toilets flushing."

Kodiak isn't the only community that makes a big effort to lobby legislators. Unalaska hosts a reception like Kodiak's, and most communities hire lobbyists to represent their interests in the state capitol. Public funding usually pays for these efforts.

The smaller communities most affected by changes to revenue sharing typically don't have the money to support a lobbyist. Unless they're within an organized borough that has deeper pocketbooks, their only recourse is one used by thousands of ordinary Alaskans each year — public testimony.

On March 5-6, the House Finance Committee held two solid days of public testimony on the state's operating budget. Most callers were interested in a handful of topics: pre-kindergarten education, public radio funding, library Internet funding and a subsidy for college students in medical schools Outside.

With hundreds of people waiting to testify, the finance committee was forced to limit each caller to two minutes, and each spoke their words rapidly. Many were unable to finish before their time expired in an assembly line of static-laced telephone calls.

Occasionally, a voice was raised in support of revenue sharing:

• There was Sherman Stebbins, a city councilman from Delta Junction. "Here in the city of Delta Junction, this is our third-largest source of revenue. It represents about 10 percent of the city's annual budget. It's a very important piece of our annual budget, and we would hate to see it reduced or possibly have it let go."

• Kathy Morgan, volunteer director of the Tok Community Library spoke up: "Community revenue sharing is really vital for our community, which has few other resources."

• From Wrangell, borough manager Jeff Jabusch offered his piece: "The combination of jail funding and loss of revenue sharing would require Wrangell to close its jail and shift costs to the state."

• In Bethel, city councilman and professor Zach Fansler contributed: "I know that these revenues, although they're not all that much, they usually amount to about $300,000 and that amount is incredibly important for us."

Also among the callers was a man from Mountain Village, a town of 857 people on the Yukon River. As Mayor Peter Andrews explained in testimony and a conversation with the Empire afterward, his town uses its revenue sharing money to keep its water pipes heated throughout the winter. Without that heating, the town's water system would freeze as solid as the Yukon in winter.

Mountain Village has an annual budget of $1.85 million to maintain roads, keep the town policed, pay salaries and keep the lights on. Though revenue sharing amounts to only about 10 percent of the town's budget, it's an important 10 percent, Andrews said. "We have to heat our water in the winter," he said, explaining that the system supplies the town school and the homes of Elders.

It would cost millions of dollars to redo the water system if it froze, he said, money Mountain Village doesn't have. "We can't have any cuts on those things," he said.

After the two days of public testimony, the House Finance Committee passed the state's budget to the full House, which approved it.

The budget includes no money for revenue sharing.

Looking ahead

If the Alaska Senate adds no money for revenue sharing this year — as now seems likely — the revenue sharing program will not immediately end.

Communities are already scheduled to share $57 million on July 1, courtesy of a deposit made by the Legislature last year. Next year, they will split $37 million. The year after that — again, assuming the Legislature approves no new deposits in these years — they will split $26 million. By 2018, the revenue sharing fund will have a balance below $60 million, and no money will be given out. The remaining funds will be sent back to the Legislature.

Lawmakers have repeatedly said they support revenue sharing. Many legislators are former mayors or city council members and know first-hand the benefits of revenue sharing. Speaking on statewide radio last week, Rep. Steve Thompson, R-Fairbanks, offered his point of view: "If we do away with revenue sharing, there are a lot of those communities that are going to just take out a bankruptcy and close their doors, and the state's going to sit here wondering what do we do now? ... It's a scary situation."

In the same radio program, Sen. Berta Gardner, D-Anchorage, offered her own support of revenue sharing.

Why then, have legislators been willing to cut funding for the program?

In January, Senate President Kevin Meyer, R-Anchorage, told a crowd at the Dena'ina Center that he expected revenue sharing to be cut because the fiscal gap is so large. "Everything is on the table," he told the crowd, according to the Anchorage Daily News.

Last week in a press conference, Sen. Donny Olson, D-Golovin, compared the state's budget situation to a personal budget.

"If your own personal bank account was being challenged and you're out of a job and you have to make payments that you're on the hook for, you certainly as a person would go ahead and make the effort to try — well, you'd have to, because personal bankruptcy is one of those things that nobody wants to go through. ... There are cuts that I agree with. There are cuts that I vehemently disagree with. But there have to be cuts that are out there," he said.

Gov. Bill Walker agrees, but he thinks there's room for compromise when it comes to revenue sharing. "I come from local government. I sort of understand it a bit, obviously," he told the Juneau Empire during a March 19 interview at his office. Walker served as mayor of Valdez.

He compared the state's position to that of an airplane preparing to land. "It's a matter of what glideslope you want to be on," he said. "I don't think there's any question about reductions, but it's a matter of what the slope's going to be and do we do it so much that we put ourselves into a tailspin."

Walker included no money for revenue sharing in his version of this year's budget, but that will change next year. State finance director Pat Pitney confirmed in an email that the governor expects to ask for enough revenue sharing money to guarantee a distribution of $50 million next year. That would require — after this year's payment is made — adding $35 million to the revenue sharing fund next year.

"I think we need to be pretty thoughtful in our reductions, I really do," he said.

Unless oil prices rebound, however, the state may not be able to afford such an addition. The conditions that prevented revenue sharing funding this year may prevent an addition next year, too.

As North Slope oil production declines, the state's oil revenue will continue to decline, and no one knows what Alaska will look like on the day the money finally runs out.

http://juneauempire.com/state/2015-03-29/alaska-legislature-makes-cuts-ripples-will-splash-across-state

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KETCHIKAN FM COMMUNITY RADIO FOR SOUTHERN SOUTHEAST ALASKA
PHOTO Hall Anderson

Report: SE economy trending downward

by **Leila Kheiry**

September 16, 2015 6:26 PM

Meilani Schijvens of Rain Coast Data presents the annual Southeast By the Numbers report at Southeast Conference.

Over the last five years, Southeast Alaska has grown by more than 2,600 people, and 1,500 jobs. That's good.

But, that growth all happened in the early part of that five-year period. The past year or two has seen a decrease. That's bad.

"Our population declined, not by much, by 30 people. Jobs fell by more than 300, there were fewer cruise and ferry visitors to the region last year, the value of the seafood harvest plummeted by more than $100 million, the price of gold fell by 10 percent, and it doesn't look like these numbers are going to improve, said Meilani Schijvens of Rain Coast Data.

And, the downward trend likely will continue in the near future.

Schijvens presented the annual "Southeast By the Numbers" report on Wednesday, the second day of Southeast Conference's annual fall meeting.

Schijvens says that while the population of Southeast Alaska has dropped slightly, it's generally stable at around 74,300 people, but it is changing demographically, with more seniors than elsewhere in the state.

"Those age 65-80 grew by 34 percent in the last 5 years, that's 2,000 people more in that age range. The average age in Southeast Alaska is just shy of 40, which is five years older than Alaskans as a whole," she said. "The average age in Southeast Alaska is older than that of Florida, and we are about to surpass Florida in terms of seniors as a percent of our total population."

Schijvens says the growing number of seniors is something to consider when thinking about health care access in the region, and all the senior tax exemptions that communities offer.

A large part of her numbers report focused on the different industries in the region, how much they contribute to the economy, and how they are faring.

Government jobs remain the largest part of the economy, but they are dropping as the federal and state governments try to cut costs.

The seafood industry is next, and Schijvens says 2014 was down about $100 million from the previous year, but 2013 was an all-time record harvest. She says she found an interesting and surprising fact when researching Southeast's seafood industry.

" I saw that nine out of 10 king salmon harvested in Alaska last year came out of Southeast Alaska waters. Meaning that if you were in a restaurant anywhere in the world and ordered an Alaska king salmon, it probably came from Southeast Alaska. And this also means that the majority of wild chinook caught worldwide come from Southeast Alaska, which makes us the king salmon capital of the world," she said.

Schijvens went through other regional industries: Health care is down, mining is up but the prices are down, and construction is down.

What isn't down are the visitor industry, retail and, surprisingly, timber. Some large federal timber sales going out for bid and the recent deal giving Sealaska 70,000 acres has given the industry a small boost.

And, Schijvens found another interesting side fact related to timber, and Viking Lumber, a mill on Prince of Wales Island.

"Along with not knowing that Southeast Alaska was the king salmon capital of the world, I also didn't know that one of the primary uses of our wood in Southeast Alaska is to make pianos. Did everyone know this? Viking lumber is the largest piano stock producer in the United States. Forty thousand pianos a year are made out of Sitka spruce into Steinway, Yamaha and Kawai pianos," she said.

Schijvens also presented the results of a business climate survey, which includes responses from more than 400 business owners throughout the region. She says the overall responses indicate that business owners anticipate flat growth and continuing challenges with transportation, attracting a well-trained workforce and the simple cost of doing business.

But, she says, Southeast Alaska business owners seem to appreciate where they are.

“Business leaders identified the top benefits of operating a business in Southeast Alaska as our overall quality of life, followed by recreation, culture and the arts,” she said.

Southeast Conference is the official regional economic development organization for Southeast Alaska. It formed in 1958 to facilitate the creation of a marine transportation system in Alaska’s Panhandle, and now has about 180 members.

The fall meeting rotates among member communities, and this year it’s in Prince Rupert, British Columbia.

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