

# **Trends in Alaska's People and Economy**

## **Prepared for the Alaska 20/20 Partnership**

### **Bringing Alaskans Together to Chart Our Future**

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## 2 Introduction

### Background

When Alaska became a state, in 1959, some Americans thought it was a mistake: Alaska was too far away, too cold, and too undeveloped. It had just a sprinkling of people across an immense area and a fragile economy that relied on military activities and a few resource industries—which generated boom and bust cycles, but no permanent development. But Alaska has seen big changes since 1959:

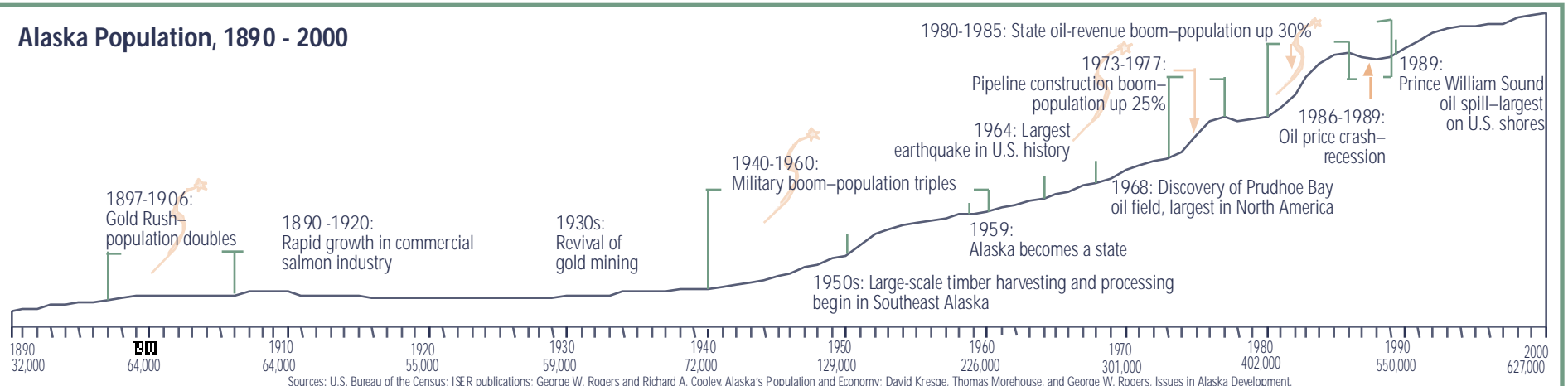
- **Alaska now has nearly 5 times the jobs and 3 times the population** it had 40 years ago. This isn't to say that Alaska has solved all the problems inherent in being a huge, far northern state with an economy that still relies, in one way or another, on its natural resources.
- **In 1968 Alaska had an enormous piece of luck:** the Prudhoe Bay oil field, the largest field in North America, was discovered on land the state government owns. Much of the social and economic change in Alaska since then can be traced to North Slope oil development.
- **Oil development had far broader effects** than any other development, because oil is so valuable—and, thanks to the state government, a big share of the profits from oil development went into the state economy. The state collected \$55 billion in oil revenues through 2001, with the peak from 1980 to 1985. The state spent most oil money, expanding services and building infrastructure. But it also deposited some in the Permanent Fund—a savings account of about \$24 billion in late 2001.
- **Massive state spending in the early 1980s created an unprecedented boom** that ended abruptly in 1986, when oil prices collapsed. The state no longer had the money to fuel rapid growth, and Alaska plunged into recession. The economy began recovering by 1990, but oil production fell throughout the 1990s—meaning smaller state oil revenues.
- **In 2001, the state continues to use oil revenues to pay most general expenses.** But the state had budget deficits in 6 of the past 8 years. Also, with less state spending, and with several basic industries losing jobs, Alaska's economy slowed dramatically in the 1990s. Alaskans are now thinking about how to broaden the economy and pay for government in the future.
- **Luckily, Alaska has valuable assets it lacked before North Slope oil development:** more people, improved infrastructure, reduced living costs, and—the biggest legacy of oil revenues—a Permanent Fund that is expected to produce \$75 billion in earnings over the next 25 years.

### Organization and Summary of Publication

This publication, prepared for Alaska 20/20 (see back page), looks at changes in population, employment, government, and much more in Alaska since statehood. It's divided into sections, with subject headers at the top of each page. Some of the big changes over time are summarized below.

- **A growing population** made possible local services and amenities Alaska lacked in 1959. But it also increased demand for state services—which today are mostly paid for by dwindling oil revenues.
- **People still move into and out of Alaska** with economic booms and busts. But more of those drawn to Alaska during the booms of the 1970s and 1980s stayed on when the economy slowed, giving Alaska a more stable, older population with fewer young adults.
- **The Alaska Native population doubled** in 30 years, as improved health care helped people live longer and reduced infant mortality. But that growth has implications for rural Alaska, where jobs are scarce, incomes are lower, and housing and utility systems are costly.
- **Alaska's economy has matured**—but it still depends heavily on state government spending and on a few resource industries. In the 1990s, the oil, timber, and seafood industries lost jobs.
- **Incomes of Alaskans** have dropped from far above the U.S. average to just about the average. That drop is somewhat—but not entirely—offset by a decline in Alaska's historically high living costs.
- **Slow job growth and stagnating incomes** are currently forecast for the coming decade.
- **Alaska's high-school students are less likely to graduate** than students nationwide, and half of Alaska's 10th graders failed required math and writing tests in 2001.
- **Alcohol kills Alaskans** at twice the U.S. rate. An estimated 5 per 1,000 babies born to Alaska Native mothers have Fetal Alcohol Syndrome—compared with fewer than 1 per 1,000 nationwide.
- **Alaskans have paid no personal state taxes** since 1980, and for many Alaskans, Permanent Fund dividend payments from the state now exceed the local taxes they pay.
- **State general spending per capita is down 50 percent** since 1985, taking inflation into account. And the state continues to face deficits as the population grows and oil revenues dwindle.

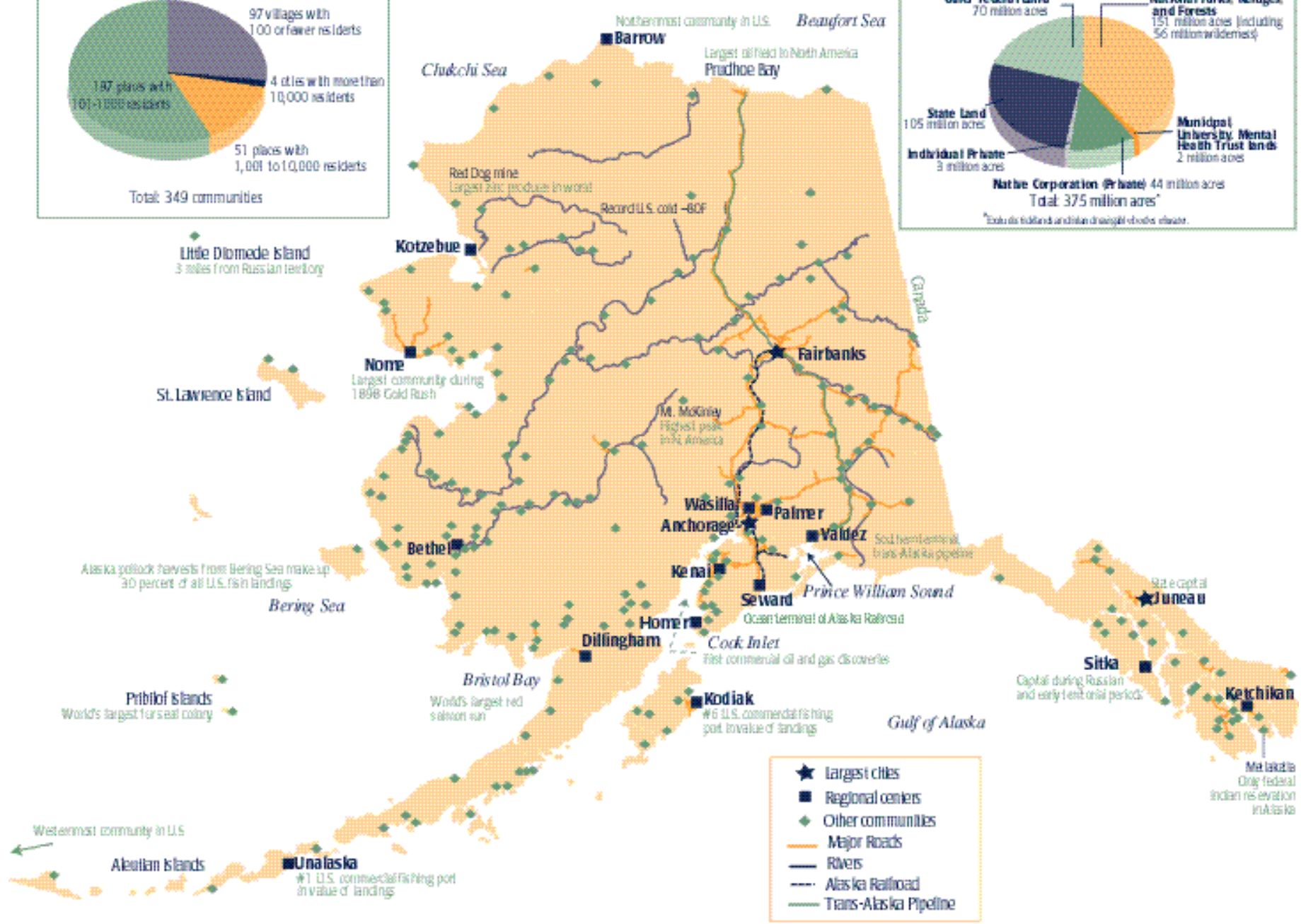
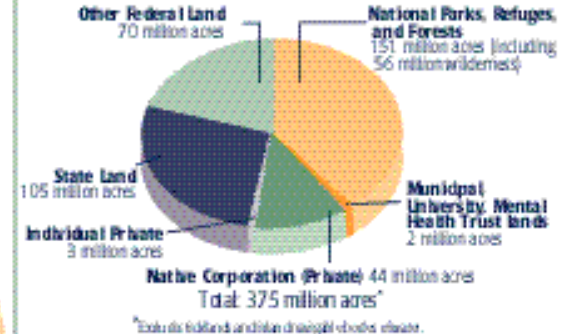
### Alaska Population, 1890 - 2000



### What Size are Alaskan Communities?



### Who Owns Alaska?

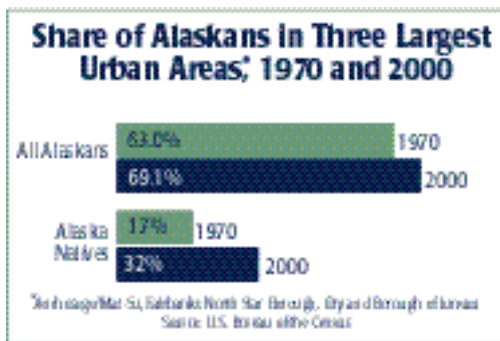


## 4 Population

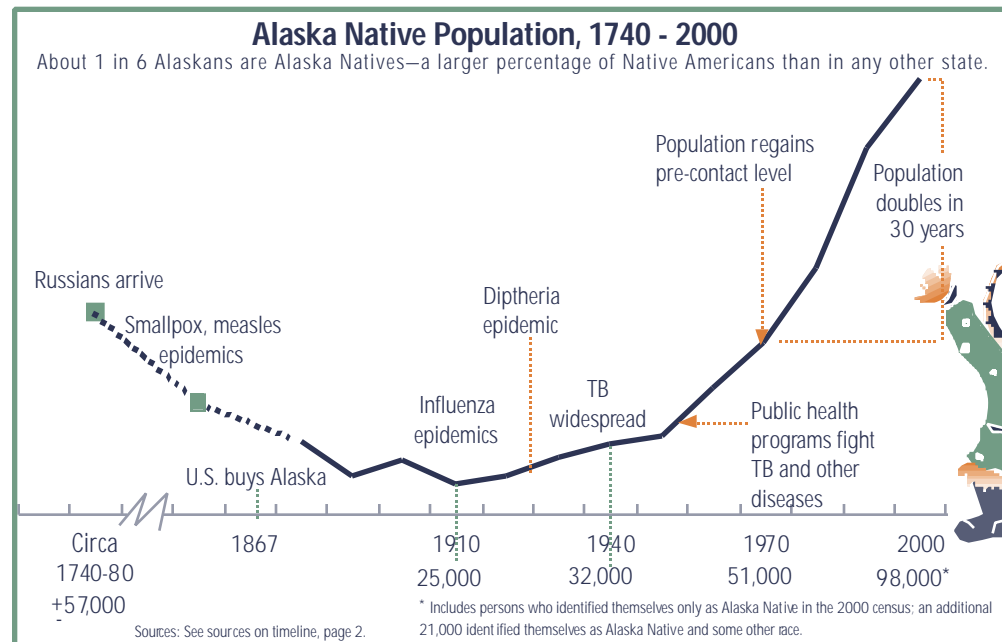
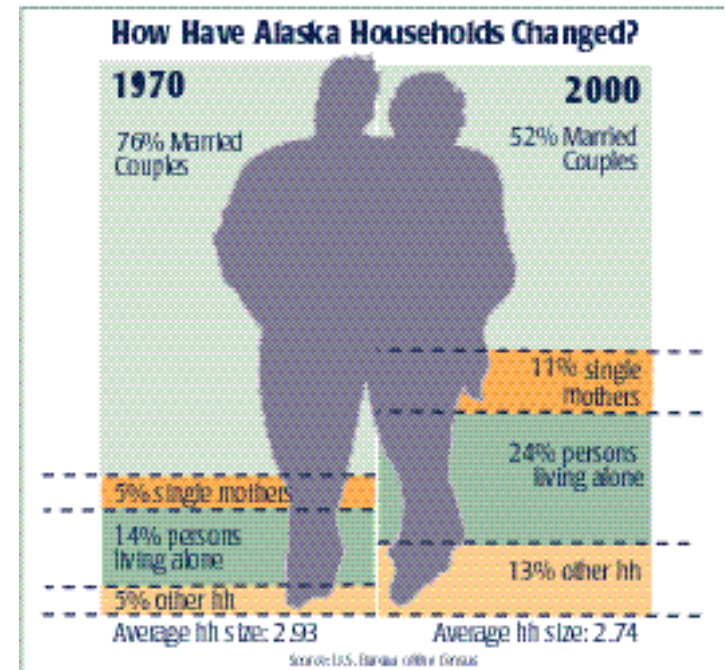
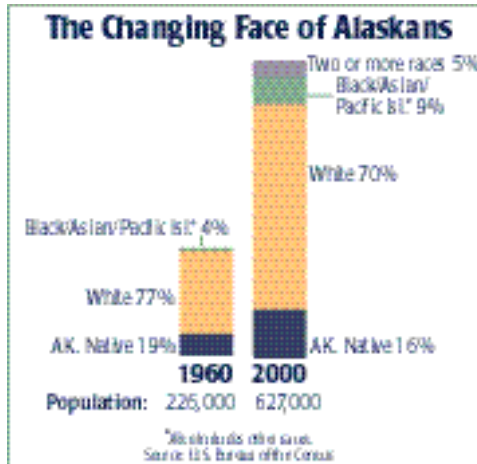
Historically, Alaska's non-Native population has been transient, with many people drawn to the state during economic booms and then leaving during the busts. The large military population also added to the high population turnover. More men than women came for the chance at high-paying but often temporary jobs. Few non-Natives were born and raised in Alaska, and few people retired in the state—which tended to keep the population young.

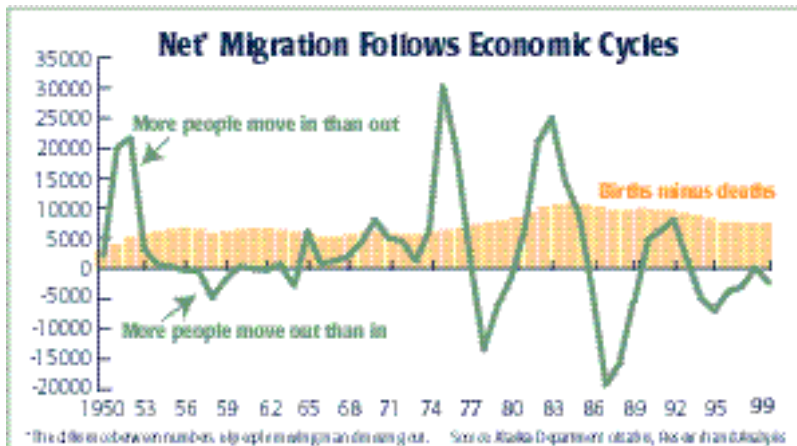
But in recent times, as Alaska's economy grew and more services and amenities became available, the population grew and became more like the broad U.S. population. The population has become:

- **Larger.** Alaska's population tripled from 1960 to 2000, with the fastest growth during pipeline construction in the mid-1970s and in the years of high state oil revenues, 1980-85 (see timeline, page 2).
- **More diverse.** The share of Alaskans who are Black, Asian, or Pacific Islander more than doubled between 1960 and 2000.
- **More stable.** The share of residents who had been in Alaska at least 5 years grew from 57 percent in 1970 to 77 percent by 1990.
- **Older.** Alaskans' median age was 23 in 1960 and 32 in 2000.
- **Less likely to be men.** There were 132 men for every 100 women in Alaska in 1960; by 2000 the ratio was 107 to 100.
- **Less likely to be married couples.** In 2000, more households consist of single mothers, persons living alone, and "other" households, which include unmarried couples.
- **More concentrated.** Nearly three in four residents lived in and around Anchorage, Fairbanks, and Juneau by 2000. Most dramatically, the share of Alaska Natives in the large urban areas increased from 17 to 32 percent from 1970 to 2000.



Alaska's Native population also saw significant changes since statehood, doubling between 1970 and 2000. That growth partly reflects improved health care for Alaska's Native peoples in recent decades, helping adults live longer and reducing infant mortality.





Alaska's population grew only about a third as fast in the 1990s as in earlier decades, and the population swings in and out of Alaska were more moderate, with births accounting for much of the growth. During the 1990s:

- **The Mat-Su Borough**—with lower housing prices, a rural setting, and within reasonable commuting distance to Anchorage—grew fastest.
- **Southwest and northern regions** with largely Native populations also grew faster than the state average.
- **Southeast Alaska**, hurt by declines in the timber industry, lost people, as did the Yukon-Koyukuk region.

Historically, Alaska had a young population, and in 2000 it still had more children and fewer people over 55. But those differences are narrowing. And between 1985 and 2000, the number of young adults (20-34) actually dropped nearly 30 percent while the number of older adults (35-54) leaped 60 percent. What changed during that time to create such a dramatic shift from younger to older adults?

• **Young adults** were drawn to Alaska during fast job growth in the 1970s and 1980s. The 1990s saw no such fast growth and no influx of young workers.

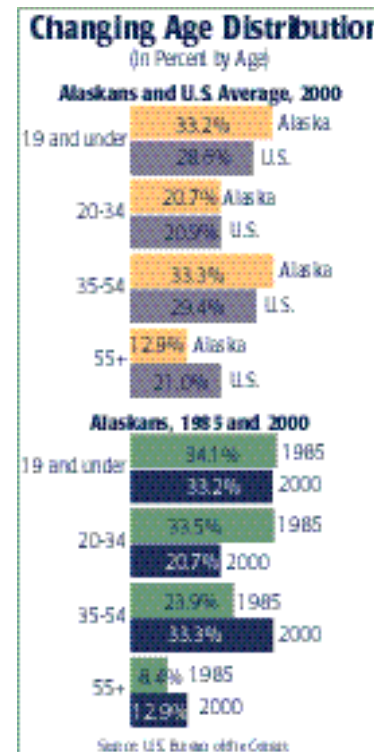
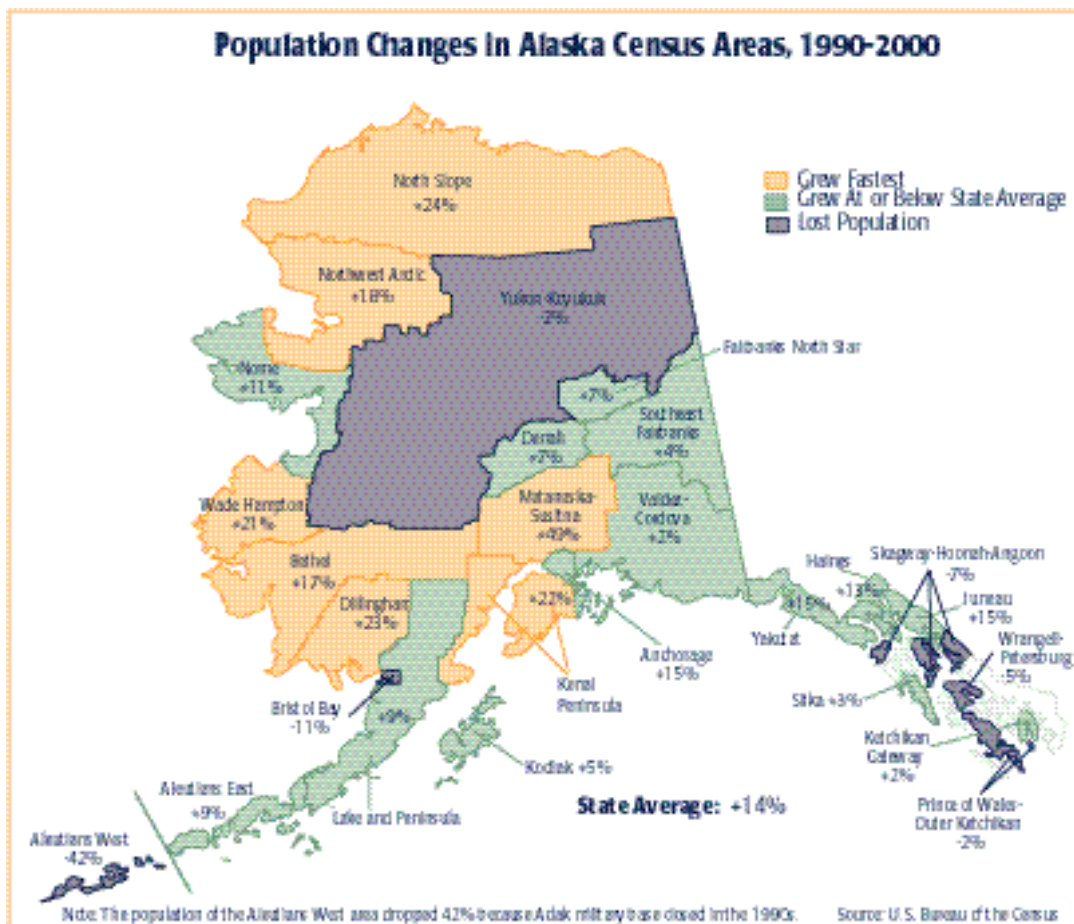
• **The number of military** in Alaska dropped in the 1990s; military personnel are typically young adults.

• **Many people who came** during recent economic booms stayed on, getting older and often retiring here; in the past, few older people stayed in Alaska.

• **Baby boomers**—born during the very high-birth years 1946-1964—are getting older, in Alaska and nationwide.

• **Birth rates** among non-Natives were lower from the late 1960s through the mid-1980s—so there aren't as many young adults as aging baby boomers.

• **Alaska has more children**, partly due to the higher Native birth rate (45% higher than all Alaska women) and younger population. Natives make up about 22% of all school-age children, compared with about 16% of the total population.



## 6 Economy

Alaska had five times more jobs in 1999 than in 1961. The mix of jobs shifted over time, as some industries grew much faster than others. And the make-up of the labor force changed, as many more women went to work. The number of jobs didn't grow steadily, but moved up sharply during booms and then slumped during busts (see timeline, page 2).

- **Growth was fastest** from 1973-1977, during the pipeline construction boom, and from 1980-1985, during the boom created by rapid state spending of oil revenues (see page 14).

- **Jobs slumped** when pipeline construction ended. A bigger slump followed from 1986-1988, when the collapse of oil prices—and state oil revenues—threw Alaska into recession.

- **Job growth slowed in the 1990s**, as oil production and state oil revenues dropped and several basic industries—those that bring new money into the economy—lost jobs.

- **Service and trade industries created half** the new jobs since 1960, as Alaska's economy matured and established local support industries and as tourism increased. Injection of about \$1 billion annually into the economy from Permanent Fund dividends continued to fuel growth in these industries in the 1990s.

- **State and local governments** added 20 percent of new jobs since 1961, as the population grew, the state added services, and new local governments and school districts formed.

- **The resource and infrastructure industries** combined added about a third of the new jobs since statehood. But the resource industries are volatile, and employment moves up or down quickly with changes in production and commodity prices.

- **The seafood industry** expanded in the 1970s and 1980s with the recovery of Alaska salmon runs, development of profitable new crab fisheries, and replacement of foreign boats with American boats and processors in the huge Bering Sea groundfish fisheries. But in the 1990s, over-capitalization and competition from foreign farmed salmon eroded profits—leading to management changes and consolidation in both fishing and seafood processing.

- **Tourism** added more jobs than any other basic industry since 1990. The number of visitors climbed from 39,000 in 1961 to 1.1 million in 1998.

- **The petroleum industry** added jobs as North Slope production grew. But falling production and lower oil prices cost Alaska jobs in the 1990s.

- **Mining added few jobs** until the 1990s, when mineral production—chiefly zinc—increased sharply.

- **Timber harvests and employment** grew through the 1980s. But by the late 1990s, reduced harvests and closure of pulp mills cut employment in half.

Regional job growth varied in the 1990s, depending on the mix of local jobs.

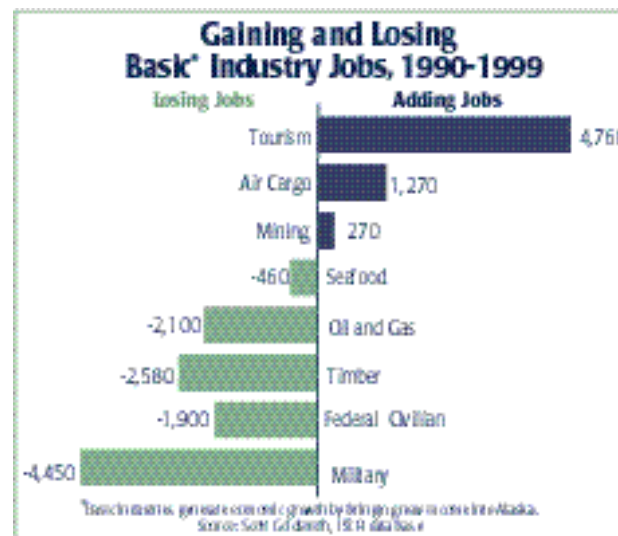
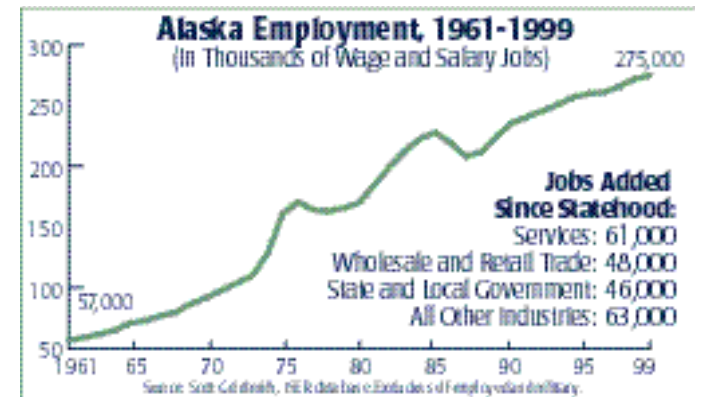
- **The Mat-Su region** added many jobs, as its population grew and its economy expanded. The Denali Borough added a lot of seasonal tourism jobs.

- **Southwest areas** added jobs in local government and in non-profit arms of Native corporations (see page 8).

- **Southeast Alaska** was hurt by declines in the timber and seafood industries.

- **Jobs on the North Slope** and in Valdez are tied to the health of the oil industry.

Many Alaskans are worried because it looks as if there won't be nearly as many new jobs in the future as in the past—although the past teaches us that Alaska's economic outlook can change unpredictably. Rural Alaska, which has a mostly Alaska Native population, faces particular problems. Jobs in the cash economy are scarce, despite the new jobs added in the 1990s, and the prospects for future growth are limited. Alaska Natives have historically not been in the labor force to the same extent as other Alaskans (see table)—and large numbers of Natives born in recent decades will soon be looking for jobs.



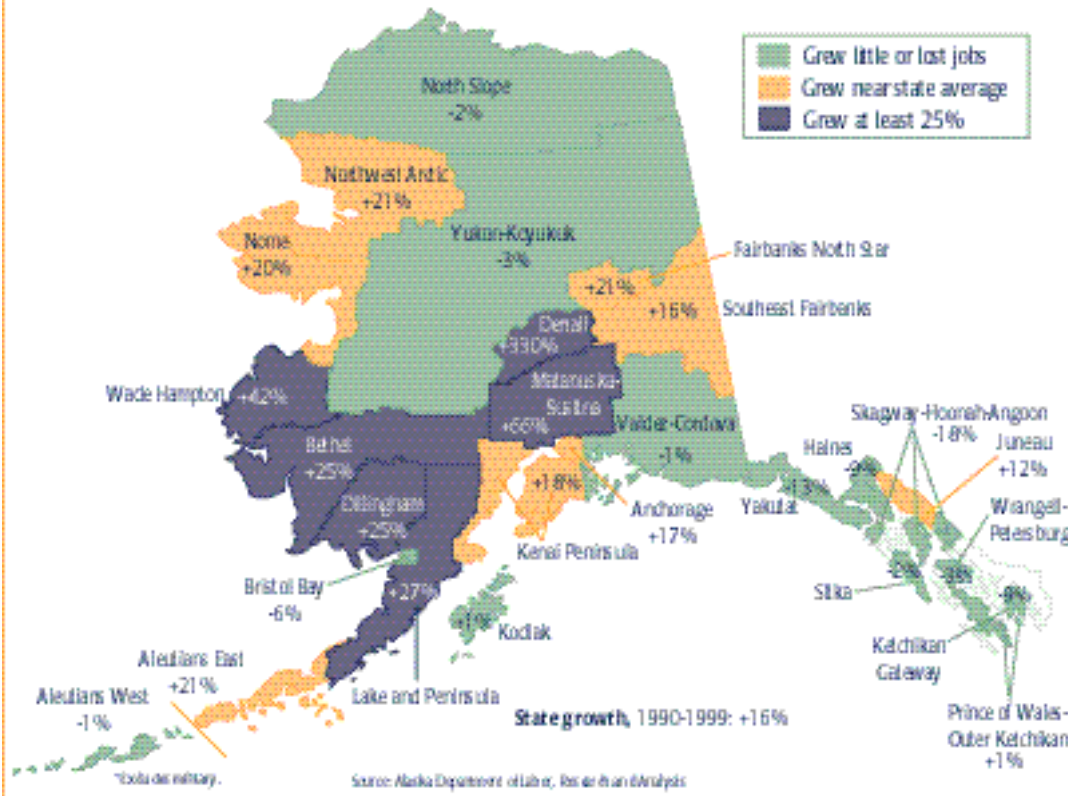
### Share of Alaskans in Work Force\*

	1960	1970	1980	1990
All women	39.4	45.7	58.9	65.9
Native women	N/A	31.0	42.8	51.4
All men	76.8	78.8	78.5	79.9
Native men	N/A	50.6	54.2	60.1

Estimated growth in working-age Alaska Natives, 1995-2005: 25%

\* Population 16 and over, with jobs or looking for work. Excludes military.  
 Sources: U.S. Bureau of the Census; ISEI estimates

### Job\* Growth in Alaska Census Areas, 1990-1999



Commodities—salmon, petroleum, minerals, timber—have long been mainstays of Alaska’s economy. Commodity values depend not only on production but on prices, which can move up or down quickly with changes in world markets.

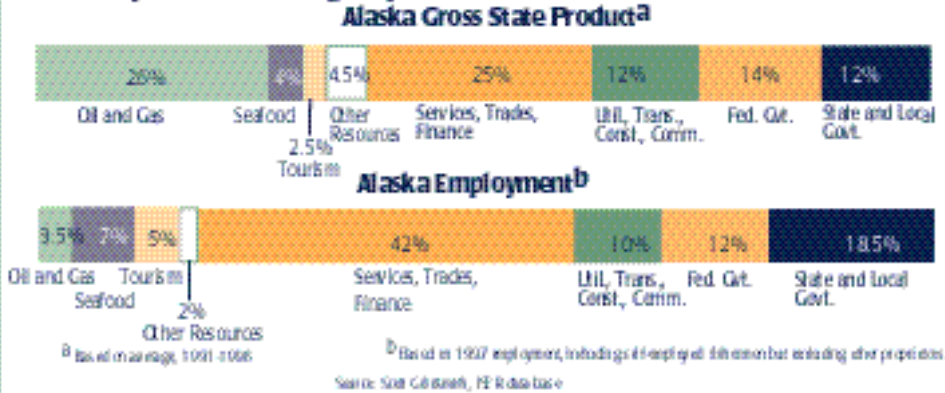
- **Seafood was the most valuable** commodity in 1965, followed by minerals.
- **Oil became by far the most valuable commodity** with the start of North Slope production and remains so, despite lower production.
- **The value of mineral production exceeded that of seafood** in 2000, with increased production of zinc and other minerals and low salmon prices.
- **Agriculture remains small**, with most production for local markets.
- **No reliable estimates exist** of the value of Alaska wood before processing.

Industries that export commodities, and a few that export services (like tourism), bring new money into Alaska. Other industries—from finance to construction—supply services to residents and rely on money circulating in the economy.

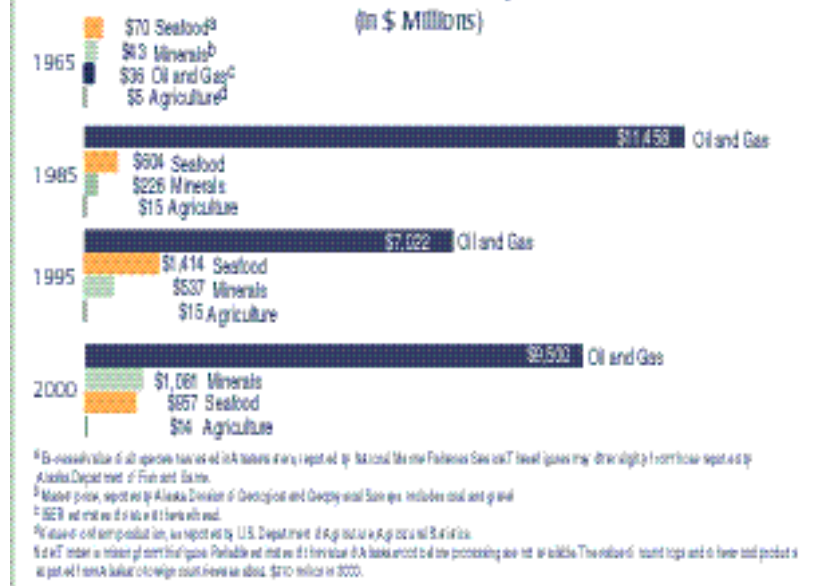
All industries contribute to jobs and to gross state product (the annual value of industrial and government production). But the relative contributions depend on the value of production, compared with the number of workers required for production.

- **Oil has high value** but requires relatively few workers to produce.
- **Service and trade industries (including tourism) hire a lot of workers** who typically don’t earn much—so they contribute more to jobs than to GSP.
- **Seafood is a valuable commodity that requires many workers** to catch and process—so it contributes nearly twice as much to jobs as to GSP.

### Two Ways of Measuring Importance of Economic Sectors in the 1990s



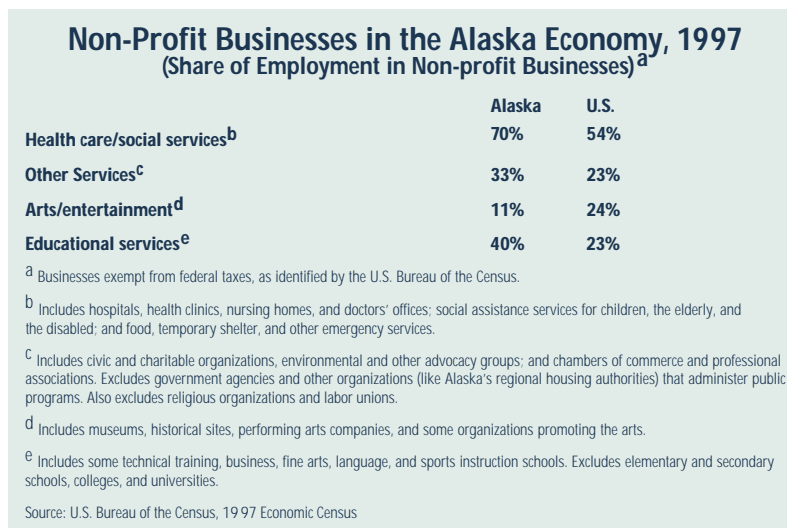
### Value of Alaska Commodities, Selected Years



## 8 Economy

Alaska's economy has a number of special aspects, including:

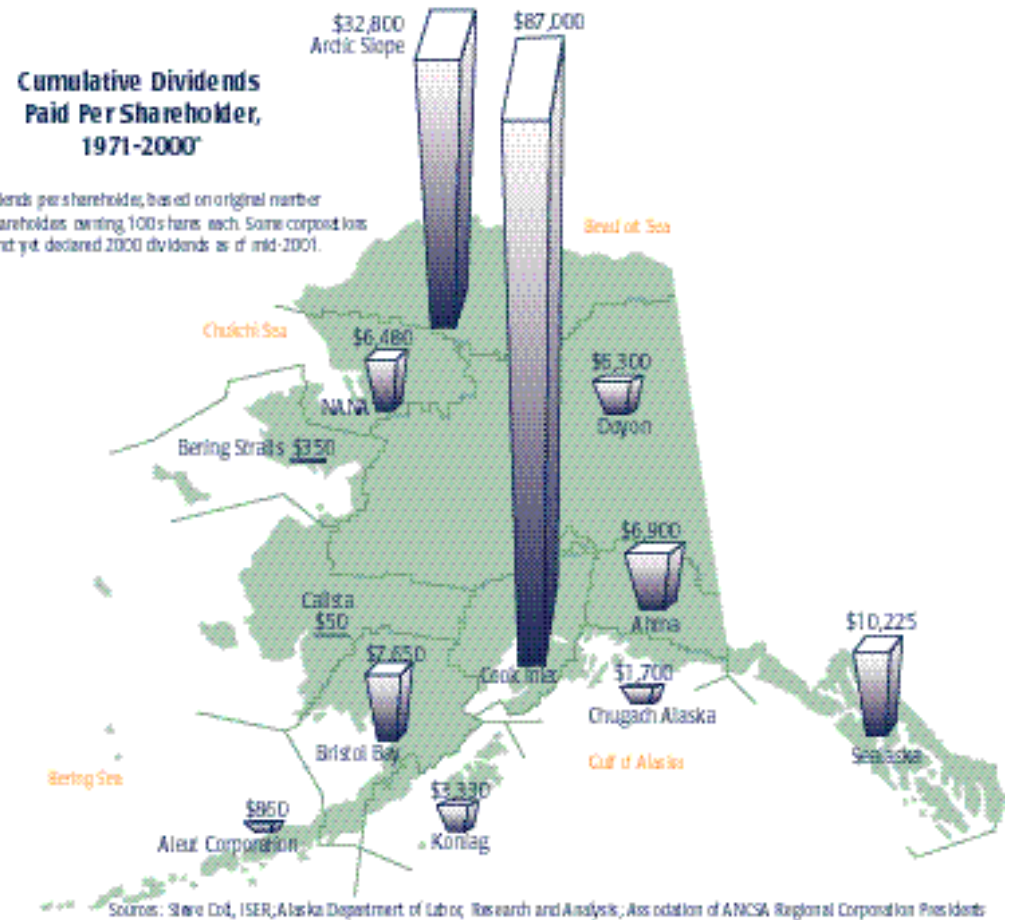
- **Alaska Native corporations are unique to Alaska** (see box at right). The regional Native corporations in particular are a growing economic force.
- **The military has been a mainstay of Alaska's economy** since World War II, when Alaska's strategic military location became clear. Today, even with numbers of military personnel at about half their 1960 levels, Department of Defense spending remains critical to Alaska's economy.
- **More Alaska jobs are in non-profit businesses**, especially in health care and social assistance services—including services for children and emergency shelters—and in civic, charitable, and advocacy groups. The exception is arts and entertainment, where U.S. employment in non-profits is higher.



## Alaska Native Corporations in the State's Economy, 2001

The 1971 Alaska Native Claims Settlement Act awarded Alaska Natives 44 million acres and \$1 billion and established 12 regional and more than 200 village corporations to manage the land and money. Those corporations:

- Are by far Alaska's largest private land owners, with regional and village corporations owning 12 percent of Alaska lands. All other private landowners together own only 1 percent.
- Own all or part of at least 125 businesses in Alaska and employ more than 10,000 Alaskans.
- Represent 1 in 6 of the state's 100 largest private employers.
- Have taken over (through non-profit arms) administration of federal and state health care programs in many rural areas.
- Have paid, to date, roughly \$1 billion in dividends to shareholders. Shown below are regional corporation boundaries and per shareholder dividends through 2000. Broadly speaking, corporations that either own lands with marketable resources—or that are able to take advantage of resource development—have been the most successful. Cook Inlet Regional Corporation has paid the highest dividends, mostly from investments in oil, gas, and telecommunications. Arctic Slope Corporation's most successful investments are in oilfield services; Sealaska has profited from logging operations.





### Change in Income of Poorest and Wealthiest Families, 1978-80 to 1996-98

Alaska was the only state where incomes of the poorest families grew faster than incomes of the wealthiest.

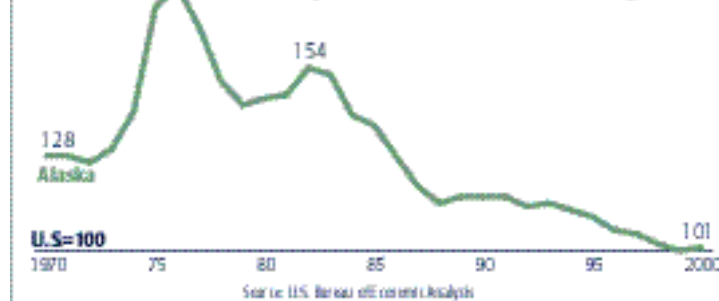


Average Family Incomes, 1996-98

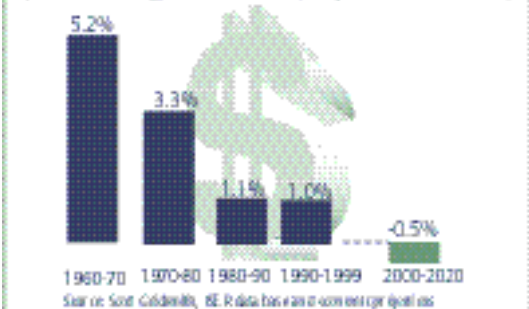
	Alaska	U.S.
Poorest One Fifth	\$18,264	\$12,986
Wealthiest One Fifth	\$147,432	\$137,485

Source: Economic Policy Institute, Center on Budget and Policy Priorities, based on U.S. Census, CPS

### How Does Income per Person in Alaska Compare with the U.S. Average?

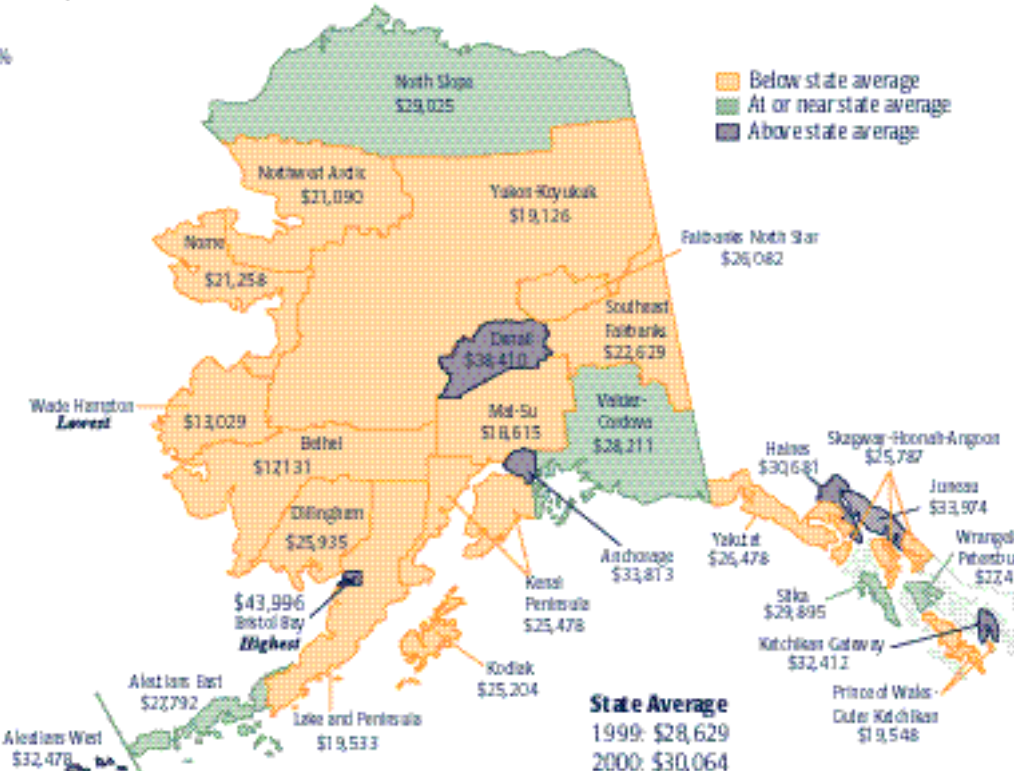
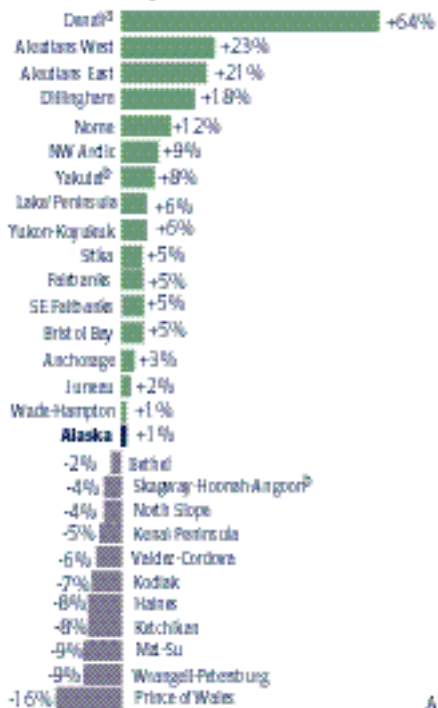


### Past and Projected Growth in Real Per Capita Income (Percent Change Over Decade, Adjusted for Inflation)



### Per Capita Income in Alaska Census Areas, 1999

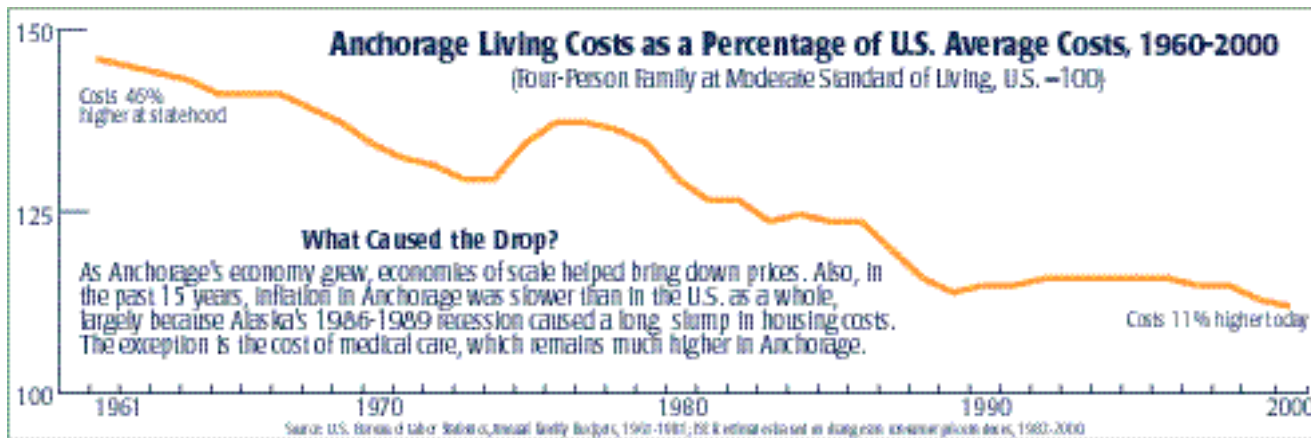
#### Change in Real (Adjusted for Inflation) Per Capita Income, 1990-99



1960-69 1970-79 Adjusted by Anchorage consumer price index

Source: U.S. Bureau of Economic Analysis

- **Per capita incomes** of Alaskans rose sharply in the 1970s, reflecting the pipeline construction boom that created many high-paying jobs. Incomes remained 50 percent above the U.S. average in the early 1980s, during the boom created by high state spending.
- **Alaskan incomes fell to the U.S. average** by 2000. That decline reflects slower job growth, elimination of high-paying jobs, like oil-industry and construction jobs, and the addition of lower-paying trade and service jobs.
- **Alaska was the only state** where incomes of the poorest families grew faster than incomes of the wealthiest in recent times—likely due to Permanent Fund dividend payments (see page 15).
- **Real incomes** (adjusted for inflation) of Alaskans rose just 1 percent in the 1990s, with some regional incomes rising faster and some falling.
- **Wide income disparity** still existed among regions in 1999, with rural incomes generally lower. But these figures don't take into account either the higher rural living costs or the substantial value of rural subsistence harvests.



### Increases in Consumer Price Indexes, 1985-2000

	Anchorage	U.S. City Average
Overall Index	+43%	+60%
Housing	+30%	+58%
Transportation	+39%	+44%
Food and Beverages	+43%	+59%
Medical Care	+145%	+130%

### Hospital Room Charge per Day, 2000

Anchorage	\$800
U.S. Average	\$493

Source: U.S. Bureau of Labor Statistics; ACCIS, Urban Area Data, First Quarter 2000

Living in Alaska has historically cost more than the national average. Alaska is far from the contiguous states; transporting goods here adds to their costs; small communities can't take advantage of economies of scale; building in remote arctic areas (often underlain by permafrost) is expensive; many communities are accessible only by air or water.

But over time the costs of living in Anchorage and other large urban areas have moved much closer to the U.S. average, largely thanks to:

- Larger local economies
- More efficient transportation
- Lower inflation in Anchorage than in other U.S. cities over the past 15 years. That was particularly true of housing prices, which tumbled during the 1986-1989 recession and were slow to recover.

Living in remote communities is still much costlier—a problem compounded by the lower money incomes in rural areas. Housing costs are particularly high, including not only costs of building in places with harsh climates, difficult terrain, and no road access, but also the high costs of electricity and other utilities.

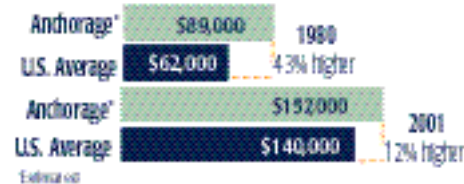
But it's difficult to make overall comparisons of living costs in urban and in rural Alaska, because people's spending patterns—and choices of things to buy—are much different in cities and villages. Also, Alaskans who hunt and fish substantially reduce their costs for food, which is a significant part of living costs.

### Alaska Housing Costs and Conditions

- Prices for existing houses in Anchorage are much closer to the U.S. average than they used to be, because house prices in other cities have risen faster.
- Costs per square foot for new houses can be 50 percent or more higher in remote Alaska areas than in communities along the road system.
- Rents in Alaska remain high, relative to those in many other U.S. cities. Four in 10 renter households in Anchorage couldn't afford 2-bedroom housing at HUD fair market rents in the late 1990s, according to the National Low Income Housing Coalition.

- 1 in 3 Native households reported being overcrowded in 2000, and 1 in 3 were on waiting lists for housing. Since the late 1990s, HUD has built about 170 houses a year in Native communities.
- Between 1989 and 2000, the state and federal governments spent close to \$750 million to bring safe water and sewer systems to rural communities. But 1 in 3 rural households still lack plumbing.
- Without state subsidies, costs of electricity in remote communities can be four times or more higher than in urban places.

### Median Price of Existing Houses

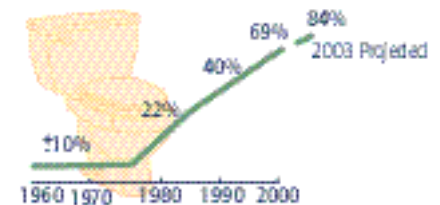


### Cost Per Square Foot, New House Construction\*

(1999, Selected Areas)



### Rural Homes with Running Water and Flush Toilets



### Range of costs for 500 KWH



### Range of HUD Fair Market Monthly Rents for 2-Bedroom Housing, Selected Areas, Alaska and U.S., 2000



Source: National Association of Realtors; Alaska Housing Affordability and Cooperation; Alaska Department of Commerce, Development and Tourism; HUD Office of National Affairs, Regional Housing Needs Study; National Low Income Housing Coalition



## 12 Education

The picture of education in Alaska is mixed: the adult population is well-educated, but in the 1990s Alaska's teenagers were less likely to graduate from high school and less likely to go on to college than other U.S. students. And more than half the high-school sophomores in 2001 couldn't write or do math well enough to pass the High-School Graduation Qualifying Exam, which was introduced in 2000.

- **The share of Alaska adults with high-school diplomas** nearly tripled between 1960 and 2000. The share of adults with four years of college more than doubled.

- **Alaska's adult population is better educated** than U.S. adults on average, but the gap has narrowed since 1980.

- **More than half of Alaska's 10th graders failed** the math and writing sections of the Spring 2001 Graduation Qualifying Exam, and a third failed the reading section.

- **The likeliest to fail** the math section were those who speak English as a second language, those who come from poor families, and those who are Alaska Native, Black, or Hispanic.

- **Alaska had the lowest rate** in the nation of high-school graduates going on to college in the 1990s: just 40 percent started college within a year of graduating, compared with a national average of 61 percent.

- **Also below the national average** was the share of high school seniors graduating in Alaska in the 1990s—just 84 percent, compared with a U.S. average of 92 percent.

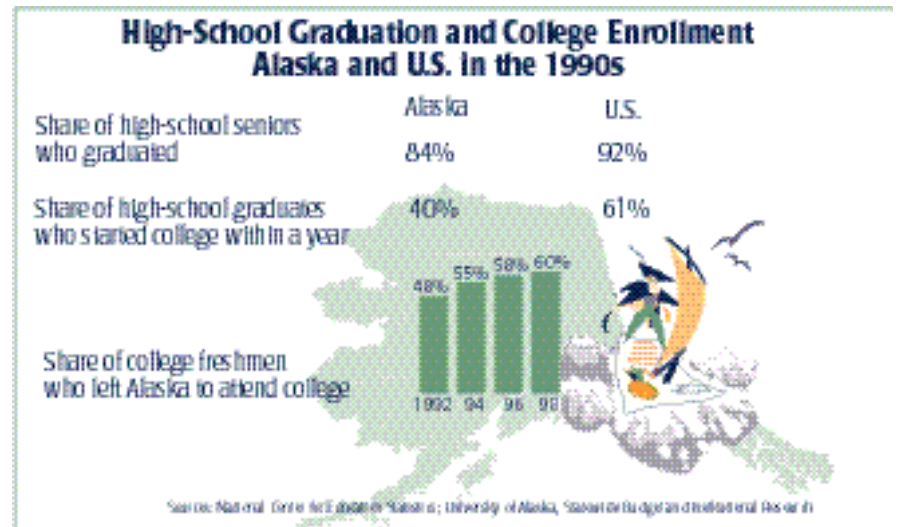
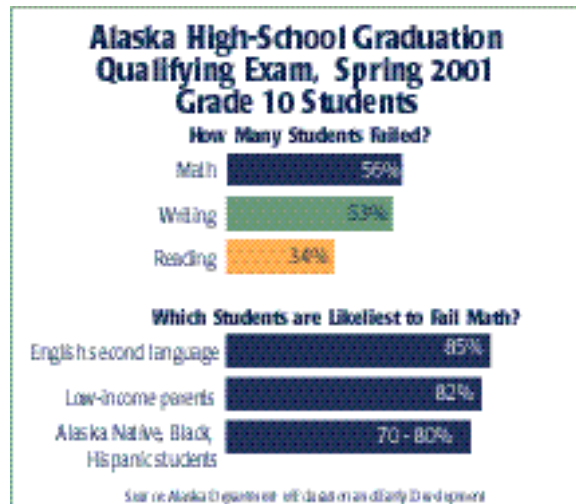
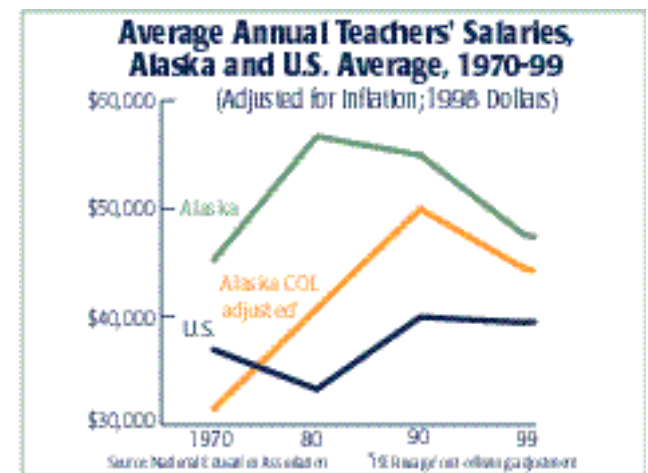
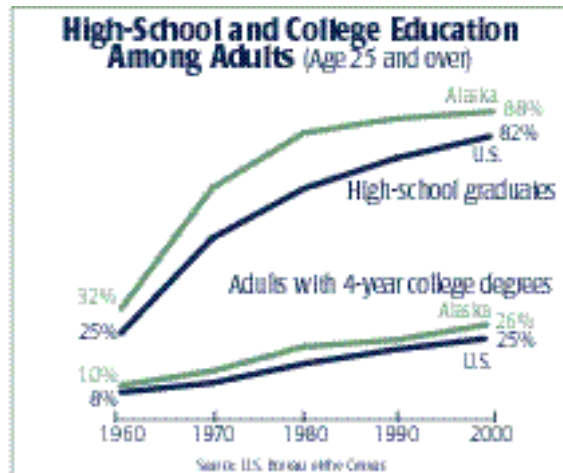
- **More college freshmen from Alaska leave** their home state to attend school than do freshmen from any other state. From 1992 to 1998, the share of Alaska's college freshmen attending college outside increased from 48 to 60 percent.

- **Alaska teachers** earn more than the U.S. average—but the gap is much smaller than in 1980. Taking inflation into account, teachers' salaries nationwide climbed in the 1990s, while salaries in Alaska fell.

- **Adjusted for Alaska's higher** cost of living, teachers in Alaska earned on average about 8 percent more than teachers nationwide in 1999—compared with 25 percent more in 1990.

On the facing page we look broadly at Alaska's air and water and fish and wildlife:

- **Data on air and water quality** have never been collected in most areas of Alaska.
- **Sport hunters and anglers take only about 1 percent** of the total fish and wildlife harvest, even though numbers of sport anglers have grown sharply since 1970. Sport harvests are, however, concentrated in a few areas. Most non-resident anglers buy just one- or three-day fishing licenses.
- **Annual subsistence harvests are major sources of food** in Alaska. Buying replacement food could cost rural households thousands of dollars, assuming meat and fish would cost \$3 to \$5 per pound. Aside from their economic importance, these harvests also have cultural and other importance for Alaska Natives.



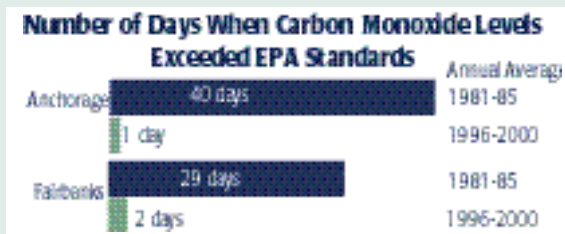
### Air Quality in Alaska

- Alaska air quality is rated "good" almost all the time in the five areas the EPA monitors.
- The state's biggest pollution problems have been high levels of carbon monoxide in Anchorage and Fairbanks on winter days when temperature inversions trap vehicle emissions near the ground. In the 1980s the two cities were among the worst violators of EPA standards nationwide. But newer cars with reduced emissions, ethanol-blended gasoline, vehicle inspection programs, and other changes have sharply cut carbon monoxide levels.
- Fine particles of dust, ash, or silt in the air ("particulate matter") have exceeded what EPA considers healthy levels in Anchorage and the Mat-Su Valley on a few days in recent years.

#### Percentage of Days During 2000 with Good and Unhealthy Air\*

	Good Air	Unhealthy Air
Anchorage	87%	0
Mat-Su Borough	98%	1%
Fairbanks NS Borough	82%	1%
Yukon-Koyukuk census area	100%	0
Juneau	100%	0

\*As measured by EPA's pollutant standards index, which reports combined pollution from carbon monoxide, nitrogen dioxide, ozone, lead, particulate matter, and sulfur dioxide. In Alaska, EPA monitors only carbon monoxide, particulate matter, and ozone. Not all locations reported pollution levels on all days, and the EPA notes that pollution at a specific monitoring site doesn't necessarily reflect conditions in the broader area.

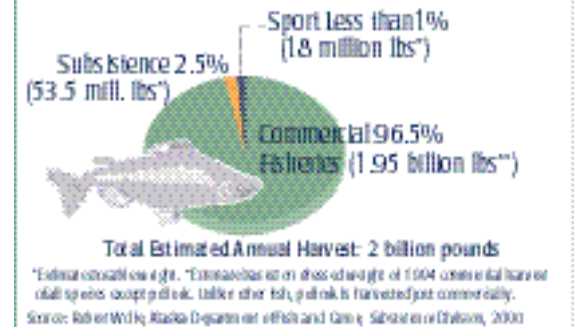


### Water Quality in Alaska

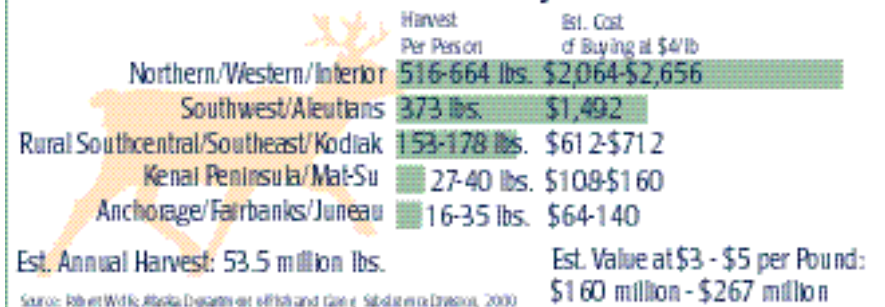
- Little information exists about water quality in much of Alaska. The EPA reports that it doesn't have enough information to characterize the overall health of any of the state's 136 watersheds as of 2000.
- Alaska's watersheds are "presumed to be in relatively pristine condition," according to the Alaska Department of Environmental Conservation (DEC). But urban runoff, mining in the Interior and Northwest, seafood processing in the Aleutians, and wood processing in Southeast have polluted individual waterways.
- Ground water is "presumed to be excellent quality" in most of Alaska, according to DEC. But leaking fuel storage tanks, improper wastewater disposal, contamination at military installations, failed septic systems, and other problems have harmed ground water in specific locations.

Sources: EPA Office of Air Quality Planning and Standards; EPA Index of Watershed Indicators; Alaska Department of Environmental Conservation, Division of Air and Water Quality; Municipality of Anchorage, Environmental Services Division; Fairbanks North Star Borough, Community Research Center

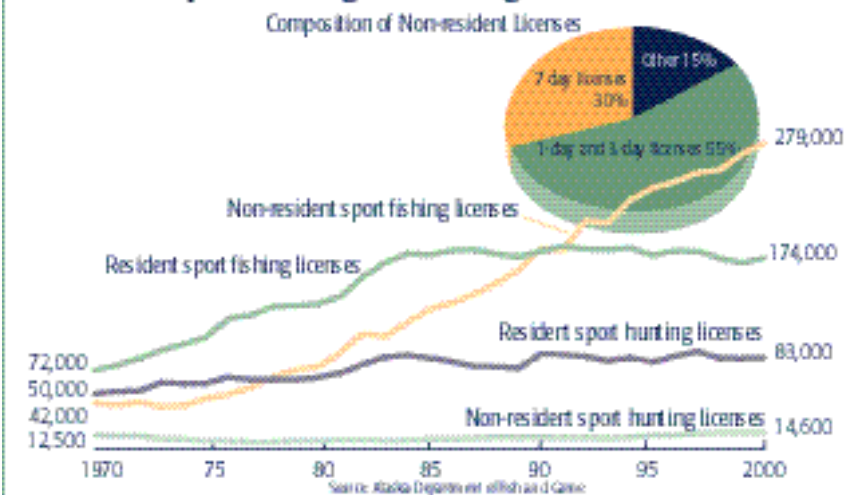
### Who Harvests Alaska's Fish and Wildlife?



### What's the Annual Subsistence Harvest Per Person, and What Would it Cost to Buy That Food?



### Alaska Sport Hunting and Fishing Licenses, 1970-2000



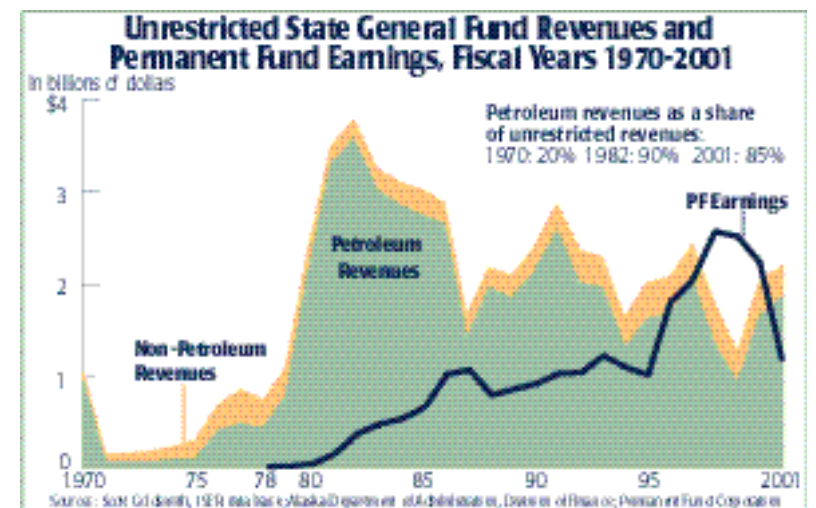
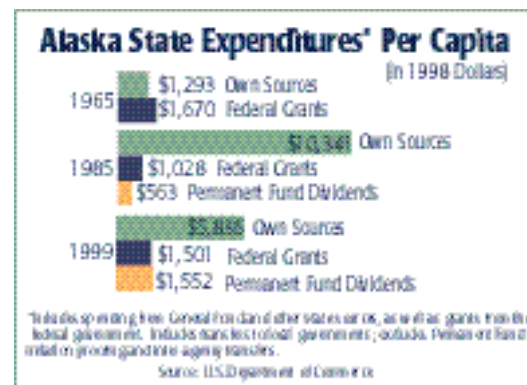
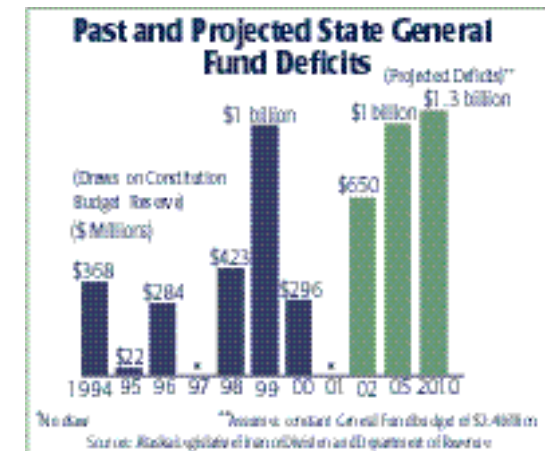
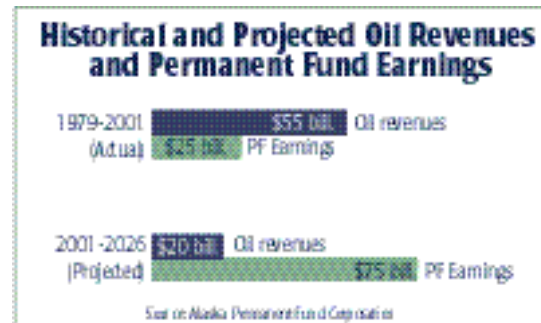
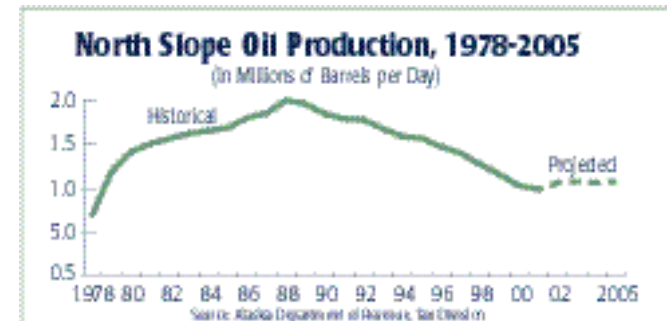
## 14 Government

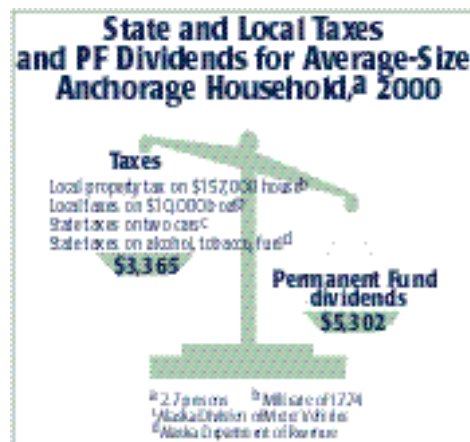
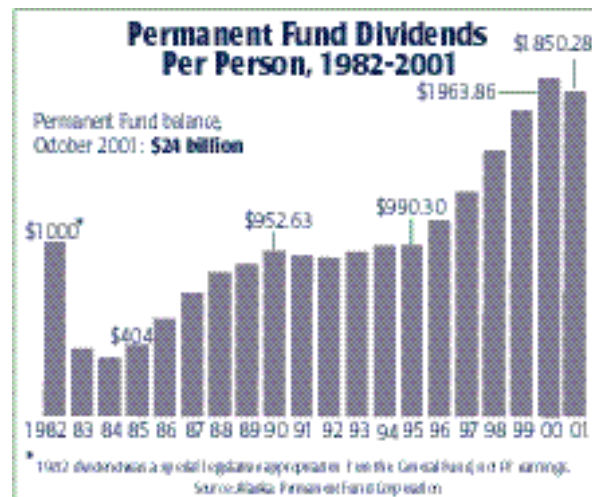
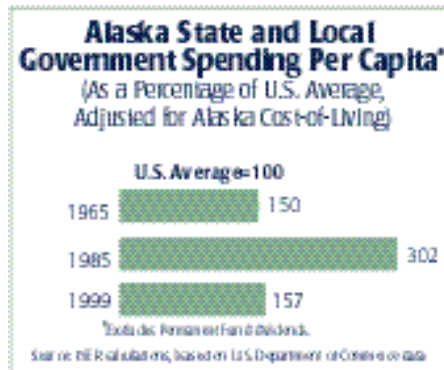
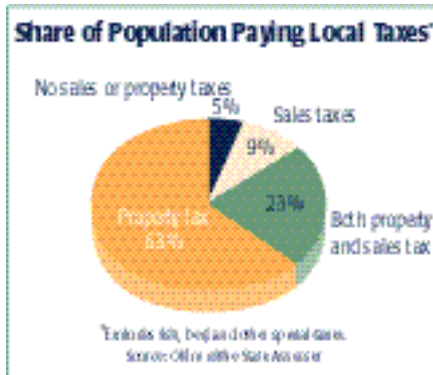
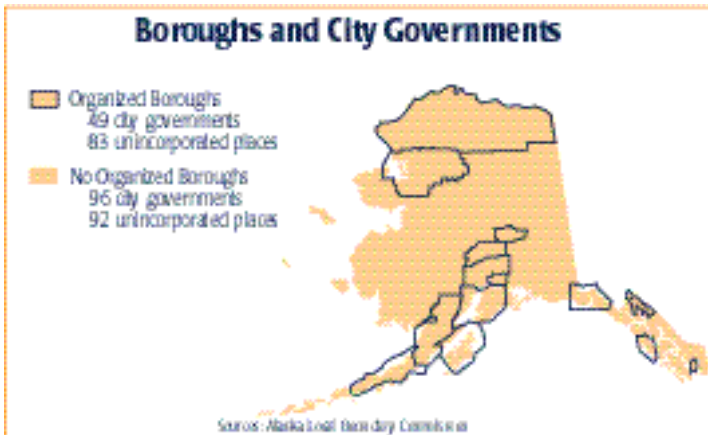
Alaska's state government collects taxes, royalties, and fees that mostly go into the General Fund and can be spent for many purposes. The state also receives federal grants, but those are usually restricted to a specific use (like paying the federal share of Medicaid). The state's income and spending patterns have changed considerably over the past few decades:

- **Federal grants covered more than half** the state budget in the 1960s. The state's own modest revenues came from various charges and taxes—including taxes on personal income and commercial fish—and from oil and gas production in Cook Inlet, which began in the 1950s but has always been a small fraction of North Slope production.
- **The 1968 discovery of the 10-billion-barrel** Prudhoe Bay oil field proved a bonanza for the state government, which owns the field. At peak production, the field supplied 3 percent of the world's oil—and some years of high production coincided with high oil prices.
- **The state collected \$55 billion** in petroleum revenues through 2001; those revenues have paid almost all state general expenses since 1978. The state eliminated personal income taxes in 1980; it still taxes corporate income, commercial fish, fuel, alcohol, and tobacco.
- **The state saved a share of oil revenues** in the Permanent Fund, a savings account voters approved in 1976. In late 2001 the fund balance was about \$24 billion, and fund earnings through 2001 totalled \$25 billion—which was nearly half as much as the state collected in petroleum revenues.
- **When oil revenues were highest**, between 1980 and 1985, state spending fueled an economic boom that pushed employment up 34 percent.
- **The 1986 oil price collapse** cut petroleum revenues by half and plunged Alaska into a recession, as state spending dropped.
- **Oil production dropped by half** in the 1990s, reducing oil revenues; revenues fluctuated as oil prices changed, but the overall trend was down.
- **The state had budget deficits** 6 of the 8 years from 1994 to 2001, drawing on savings to fill the gap. As oil revenues fall and Alaska's population rises, the state is spending more than it collects. Deficits are projected to continue, at current spending and with existing income.

• **Permanent Fund earnings will replace oil revenues** as the state's largest source of income in the next 25 years, with earnings projected to be more than three times larger than oil revenues. Fund earnings already exceeded oil revenues at the end of the 1990s, when oil prices were low.

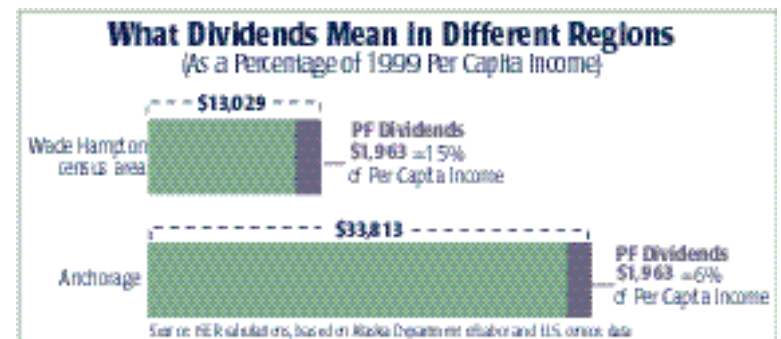
• **Per capita state spending from the General Fund and other state funds dropped 50 percent** from 1985 to 1999, taking inflation into account. At the same time, federal grants per person increased about a third (to re-gain about the same real level as in 1965). State spending for Permanent Fund dividends per person nearly tripled from 1985 to 1999.





Alaskans historically paid high federal taxes, because they had higher than average incomes, and federal taxes are progressive. But in the past 15 years, reduced federal tax rates and lower Alaska incomes have reduced Alaskans' relative federal tax burden. As of 1999, the federal government spent about 60 percent more per capita in Alaska than it collected in per capita taxes from Alaska, according to a study by the Kennedy School of Government at Harvard University. Part of that disparity is because defense spending in Alaska is high. As for state and local taxes:

- **Alaskans pay no state personal income or sales taxes.** In fact, since 1980, the state has paid Alaskans: every Alaska resident receives annual cash "dividends" from the earnings of the Permanent Fund. The size of the dividend varies with fund earnings, but dividends have grown over the year as the fund balance grew. In 2001, dividends will total more than \$1 billion, with \$1,850 for every resident.
- **Alaska's city and borough governments levy property, sales, and a variety of special taxes.** The most common taxes in large urban areas are property taxes; small rural cities mostly levy sales taxes. Some governments collect both property and sales taxes. Some areas have no city or borough governments; they rely on the state for education and other basic services.
- **Many Alaska households collect more in dividends than they pay in combined state and local taxes.** For example, in 2000, an average-size Anchorage household (about 3 persons)—paying taxes on a median-priced house, two cars, and a boat—would have collected about 50 percent more in dividends than it paid in taxes.
- **Permanent Fund dividends make up more than twice the share of income in poorer as in wealthier households.** In the Wade Hampton area, where per capita incomes are a third those in Anchorage, dividends in 2000 made up 15 percent of per capita income, compared with 6 percent in Anchorage.
- **Alaska's combined state and local government spending per resident has always been higher than the national average.** But after climbing to 300 percent of the national average in 1985, combined spending dropped back to about 150 percent of the U.S. average by 1999—about the same as in 1965.



## Alaska 20/20: Bringing Alaskans Together to Chart Our Future



The Alaska 20/20 Partnership is a broad group of public and private groups that wants to bring Alaskans together to chart a course for the future. We all hope to keep Alaska a safe, healthy place where our children and grandchildren can live and work. But to do that, we need to take responsibility for the future—what are our aspirations, and how can we achieve them?

Over the next several years, Alaska 20/20 will sponsor two conferences and a series of regional and local meetings. The purpose of these conferences and meetings is to bring Alaskans together to define a vision for the state, sets goals, identify actions to achieve those goals, and measure our progress over time. Some questions we want to explore are:

- What binds us together as Alaskans? What are our values?
- How will we sustain our economy and support ourselves 20 years from now?
- What kind of education will prepare us and our children for the future?
- How will we make our communities safe and keep our families healthy?
- How will we keep our environment and natural resources healthy?
- What public services do we need, and how will we pay for them?

### Starting Point: Statewide Conference, November 27-28, 2001, in Anchorage

At this conference, Alaskans from around the state will talk broadly about what they see for the future. From those discussions, Alaska 20/20 will produce written statements on visions, goals, and benchmarks set by Alaskans for their economy, education, communities and families, stewardship of natural resources, and public services.

Copies of this publication are available from the Alaska Humanities Forum (907-272-5316) and from ISER (907-786-7710). It is also posted on ISER's Web site at [www.iser.uaa.alaska.edu](http://www.iser.uaa.alaska.edu) and on the Alaska Humanities Forum Web site at [akhf.org](http://akhf.org). For more information about Alaska 20/20, call the Alaska Humanities Forum.

The Institute of Social and Economic Research at the University of Alaska Anchorage and the Alaska Humanities Forum thank the dozens of individuals and agencies that supplied information for this publication. Special thanks to Scott Goldsmith, Steve Colt, Gunnar Knapp, and Darla Siver of ISER; Neal Fried, Ingrid Zaruba, Greg Williams, and Brigitta Windisch-Cole of the Alaska Department of Labor and Workforce Development, Research and Analysis; James Wiedle of the Alaska Housing Finance Corporation; Eileen Jones and others at the Alaska Division of Public Assistance; Erik McCormick of the Alaska Department of Education and Early Development; Nadine Schliebe and Donna Hartley of the U.S. Department of Housing and Urban Development; Catherine Schumacher of the Alaska Division of Public Health; Anne Schlapia of the Municipality of Anchorage; Susan Shirley of the Alaska Department of Fish and Game; Katie John of the Southcentral Foundation; and Susan Merrick of the Alaska Fetal Alcohol Syndrome Surveillance Project.

**Regional and Local Meetings, 2002:** Throughout 2002, Alaskans will be invited to discuss these vision and goals at community and regional gatherings and to suggest strategies for achieving them. From these meetings, Alaska 20/20 will compile Alaskans' views on the visions and goals, as well as proposed local, regional, and statewide actions to achieve them.

**Second Statewide Conference and Progress Report, January 2003:** In January, 2003, Alaska 20/20 will hold another statewide conference, to report on areas of agreement across the state, as well as issues and challenges to be overcome. The conference will develop benchmarks for measuring our progress, and we'll issue a report identifying the progress Alaskans have made toward achieving our goals. Alaska 20/20 will then report the progress to organizations, communities, and individuals across the state.

### Alaska 20/20 Partners

Alaska Legislative Council	Alaska Oil and Gas Commission	National Education Association of Alaska
Alaska Association of General Contractors	Alaska Railroad	Regional ARDORs
Alaska Committee, Juneau	Ak. Science and Technology Foundation	Resource Development Council of Alaska
Alaska Common Ground	Alaska State Chamber of Commerce	Sheldon Jackson College
Alaska Conservation Alliance	Anchorage Chamber of Commerce	State of Alaska
Alaska Conservation Foundation	Anchorage Econ. Development Corp.	The Alaska Air Command-Liaison
Alaska High Tech Business Council	Alaskans United	United Way of Anchorage
Alaska Intertribal Council	Bridge Builders of Alaska	University of Alaska Anchorage
Alaska League of Women Voters	Commonwealth North	University of Alaska Statewide
Alaska Municipal League	First Alaskans Foundation	UA Center for Economic Development
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