Short-Term Impacts of the Governor's Vetoes on the Anchorage Economy

July 18, 2019 Nolan Klouda
How the cuts are distributed

$360 million in real statewide spending reductions from the vetoes

- University of Alaska
- Medicaid/Behav. Health
- All other
- School Bond Debt Reimbursement
- Senior Benefits
- State Personnel Reductions
- Mental Health Capital

We estimate Anchorage will absorb 48% of the total, or $173 million.

Source: State of Alaska OMB, CED calculations.
Job losses will be significant

Total employment declines by category, combining direct, indirect, and induced jobs

- University of Alaska: 2,024
- Medicaid/Behav. Health: 890
- All other: 576
- School Bond Debt Reimbursement: 313
- Senior Benefits: 149
- State Personnel Reductions: 141
- Mental Health Capital: 124

Alaska: 4,200 lost jobs
Anchorage: 2,400 lost jobs

Source: IMPLAN, CED calculations.
The statewide recovery is tepid so far

Year-over-year employment change for Alaska

Loss of 13,700 jobs from July 2015 to July 2018

Employment growth begins in October 2018

Source: Alaska Department of Labor and Workforce Development, CED calculations.
Is Anchorage actually recovering?

Year-over-year employment change for Anchorage

Loss of 10,600 jobs from July 2015 to July 2018

Statewide recovery begins

Source: Alaska Department of Labor and Workforce Development, CED calculations.
The vetoes alone could easily send the state back into recession

Year-over-year employment gains for Alaska since the recovery began

Source: Alaska Department of Labor and Workforce Development, CED calculations.
Anchorage's recovery could be a non-starter

Year-over-year employment gains for Anchorage since the statewide recovery began

<table>
<thead>
<tr>
<th>Month</th>
<th>Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct '18</td>
<td>-1,000</td>
</tr>
<tr>
<td>Nov '18</td>
<td>-800</td>
</tr>
<tr>
<td>Dec '18</td>
<td>-1,000</td>
</tr>
<tr>
<td>Jan '19</td>
<td>100</td>
</tr>
<tr>
<td>Feb '19</td>
<td>200</td>
</tr>
<tr>
<td>Mar '19</td>
<td>100</td>
</tr>
<tr>
<td>Apr '19</td>
<td>1,000</td>
</tr>
<tr>
<td>May '19</td>
<td>-700</td>
</tr>
<tr>
<td>Average</td>
<td>-260</td>
</tr>
<tr>
<td>Veto job losses</td>
<td>-2,400</td>
</tr>
</tbody>
</table>

Source: Alaska Department of Labor and Workforce Development, CED calculations.
What about the long term?

Workforce condition is a major driver of (or barrier to) economic growth

Nationally

<table>
<thead>
<tr>
<th>Site Selection Factors</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ranking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Availability of skilled labor</td>
<td>90.5</td>
<td>88.8</td>
</tr>
<tr>
<td>2. Labor costs</td>
<td>89.1</td>
<td>91.1</td>
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<tr>
<td>3. Highway accessibility</td>
<td>87.2</td>
<td>91.3</td>
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<tr>
<td>4. Corporate tax rate</td>
<td>86.7</td>
<td>83.2</td>
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<td>5. Tax exemptions</td>
<td>83.0</td>
<td>85.9</td>
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<tr>
<td>6. Quality of life</td>
<td>82.8</td>
<td>87.2</td>
</tr>
<tr>
<td>7. State and local incentives</td>
<td>82.5</td>
<td>81.3</td>
</tr>
</tbody>
</table>

Source: Area Development Annual Corporate Survey, 2019

Locally

Top 10 Barriers to Business Growth (Significant and Moderate Barriers Combined)

- Condition of the state economy: 90%
- Cost of health insurance: 75%
- Availability of professional/technical workforce: 62%
- Cost of labor: 62%
- Availability of semi-skilled workforce: 56%
- Cost of goods and materials: 54%
- Public safety in Anchorage: 53%
- Job readiness of entry-level workforce: 53%
- Energy prices: 52%
- Condition of the national economy: 48%

Source: Anchorage Economic Development Corporation, Business Confidence Index, 2019
Other considerations

- Loss of federal funds without state match
- Loss of tuition at UA as enrollment falls
- Out-migration and brain drain
- Effects to the real estate market
- Effects to the tax base for local government
- Impact of the PFD

Of Alaskans who graduated from high school between 2006-2009...

- 78% Of those who attended college in-state still lived in Alaska in 2014.
- 35% Of those who left the state to attend moved back to Alaska by 2014.

Source: Alaska Commission on Postsecondary Education, 2018