### AT Alaska CP

AT Alaska CP 1

Alaska Needs Private Spending 2

Cant Get Investment 3

Already Allocated 4

Not Enough Money 6

Not Enough Money 7

Not Enough Money 8

### Alaska Needs Private Spending

#### There should be an increase in private spending in Alaska

Associated Press 2012

“Alaska Construction Spending Expected to Increase in 2012”

http://www.ktuu.com/business/officials-anticipate-an-increase-in-construction-spending-this-year-in-alaska-ktuu-20120203,0,4157816.story

A forecast from the Institute of Social and Economic Research at the University of Alaska Anchorage says construction spending should be $7.7 billion in Alaska this year, up 3.3 percent from 2011. The report also says there should be increased private spending in the utility, mining, health and oil and gas sectors. It's also relying on increased spending because of state capital projects, which is expected to offset a decline in federal spending. That money should go to highways, airport and ports.

### Cant Get Investment

#### Alaska cant attract private investment

Goldsmith and Killorin 2012

Alaska's construction spending

<http://www.iser.uaa.alaska.edu/Publications/2012-ConstructionForecast.pdf>

Furthermore, the national economic recovery continues to be extremely weak. And although Alaska has been insulated from the worst effects of the recession—the crash in the housing market, high unemployment, and lack of credit—concerns about the national recovery will continue to influence investment decisions in the state, particularly in the commercial and residential markets.

### Already Allocated

#### Alaska has already delegated its infrastructure funds for the 2013 fiscal year

Office of Sean Parnell 2012 (10h govener of Alaska, http://gov.alaska.gov/parnell/press-room/full-press-release.html?pr=6131)

The capital budget will fund many important transportation and infrastructure projects across the state. More than $1.6 billion was appropriated for highways, aviation, the Alaska Marine Highway, harbors, village safe water, and municipal water and sewer projects. The Roads to Resources initiative was also funded allowing work to continue on a road to Tanana, the Ambler District Road, a road to Umiat, and improvements on the Klondike Industrial Use Highway to Skagway. Another $50 million was set aside in the Vessel Replacement Fund as a down payment on the second new ferry for the Alaska Marine Highway System

#### Alaska has already spent its infrastructure budget for this year

Mary Kauffman 5/15/12 (sitnews reporter Ketchikan, Alaska) Governor Parnell Signs BudgetIncludes Priority Projects for Southeast Alaska, http://www.sitnews.us/0512News/051512/051412\_budget\_signed.html

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#### Alaska can’t solve – Funds already allocated

**Woodham 12**

Don Young credited with saving Alaska Railroad from 'drastic' cuts Scott Woodham | Jun 28, 2012 <http://www.alaskadispatch.com/article/don-young-credited-saving-alaska-railroad-drastic-cuts>

Working inside a congressional conference committee, Rep. Don Young on Thursday helped secure several funding plums for Alaska totaling nearly $1 billion over the next two years in the massive $120 billion federal transportation spending bill. The conference agreement moves the bill forward, with a final vote expected as early as Friday. The bill contains millions in funding for the Alaska Railroad, Alaska Marine Highway and the Tribal Transportation Program that had been in jeopardy. Young was appointed by House Speaker John Boehner to serve on the conference committee. “My priority from day one as a member of the conference committee has been Alaska,” Young said, according to a press release. “The Senate-passed highway bill hung Alaskans out to dry and would have had drastic implications across the state. Whether we’re talking about vital rail funding in the Interior, ferry funding in Southeast or Tribal Transportation funding in rural Alaska – the Senate-passed bill would have severely impacted Alaska.” Luke Miller, Rep. Young's press secretary, said three key items important to Alaska were restored due to Young's efforts in the conference committee: •The Alaska Railroad will receive $31 million annually in Federal Transit Authority (FTA) funding, roughly $24 million more than the Senate-passed bill provided. •The Alaska Marine Highway will receive an increase in funding because of greater importance to be placed on route miles. Rep. Young was also able to secure guaranteed funding for Alaska’s ferries by ensuring that ferry funding come from the Highway Trust Fund instead of being subject to the annual congressional appropriations process as the Senate-passed bill indicated. •Tribal Transportation funding was preserved for smaller, geographically isolated tribes. Two hundred Alaska tribes stood to lose more than $13.5 million. Through the conference negotiations, Young restored the High Priority Projects (HPP) program at $30 million a year, a program which the Senate bill eliminated. HPP provides an opportunity for small and medium-sized tribes to compete for up to $1 million for projects.

### Not Enough Money

#### Federal government spending key to Alaska economy AND private industry will fail

Scott Hawkins, with research contributions from Francy Bennett May 22, 2012

President at Advanced Supply Chain International LLC Principal at Economic Research and Development Consultants, President and CEO at Anchorage Economic Development Corporation University of Puget Sound

<http://www.bipac.net/page.asp?content=business_climate&g=ALASKA_B>

Economists at the UAA Institute for Social and Economic Research (ISER) have shown that Alaska’s economy rests on a “three legged stool”. The three legs are: 1) Federal government spending, 2) Crude oil production, and 3) All other basic industries combined, such as mining, fishing and tourism. While Alaska has always been very open to federal spending, we rank strikingly low as a place for the private sector to do business. This is documented extensively by several organizations that publish nationwide rankings on the business friendliness of states. They tend to rank Alaska at or toward the bottom of the 50 U.S. states, consistently, over the years. CNBC, Forbes Magazine and ChiefExecutive.net are three of the leading organizations that publish such rankings. As the nearby table shows, while these organizations vary widely in scoring methods, the overall outcomes are remarkably similar: Alaska has among the worst business climates in the country, year after year, in spite of our light tax burden on most businesses, except oil and gas. The 2011 rankings in Forbes’ Best States for Business survey puts Alaska at 42 of 50. While other states have gone up and down over the past three years, Forbes has pegged Alaska at number 42 each year. Among our worst categories was “Regulatory Environment”. Our best category was “Economic Climate”, reflecting the fact that Alaska’s economy has performed better during the Great Recession than most other states. This is due to the economic stimulus of high oil prices and the resulting state budget growth. ChiefExecutive.net, in it’s the State of the States survey, scores Alaska the highest of the three organizations, putting us at number 31 -- still well below average and a sharp drop from the 2010 ranking. This survey is based on the votes of CEOs of major U. S. corporations. CNBC is the most bearish on Alaska in of the three, putting us at rock bottom (50) two of the past three years, and at 49 last year in its America’s Top States for Business survey. That small gain was due to Alaska’s fiscally fueled economic growth in 2010/2011. Alaskans who are concerned about their future prosperity should take careful heed of these rankings. With oil production declining under the weight of a heavy tax burden, federal spending likely to decline due to deficit pressures, and state spending on an unsustainable trajectory, Alaska will need substantial amounts of private sector investment in new economic development projects in coming years if we wish to avoid an economic downturn. Realistically, though, investors spend large sums on economic development projects only where the risk/reward ratio is seen as attractive. Being at or near the bottom of business climate rankings suggests that, quite often, we are not seen as attractive. On the other hand, states that compete with Alaska for resource investment dollars, such as Texas and N. Dakota, rank consistently in the top 10. During the 2011/2012 legislative session, numerous bills were introduced on numerous subjects with the intent of making Alaska more attractive for business investment. Many of these bills passed the Alaska House of Representatives, only to die in the Alaska Senate. As a result, little to nothing has been accomplished in recent years to change Alaska’s receptiveness to business and economic development. Alaska can and should do better. While certain elements of competitiveness, such as distance from markets and the size of the local labor pool, are difficult or impossible for Alaska to control, other elements, such as regulatory efficiency and taxation on key basic industries, can and should be improved. Concerned Alaskans: please contact your legislators and ask them what they are doing to improve Alaska’s business climate.

### Not Enough Money

#### Federal Government spending is necessary to handle large projects

Fulton 11

William Fulton, GOVERNING's economic development columnist, is mayor of Ventura, Calif. “Should Government Spend or Invest Money?” Governing Magazine online. November 2011. < http://www.governing.com/columns/eco-engines/should-government-spend-or-invest-money.html>.

Only the federal government is big enough, and has enough control over the money supply, to influence overall consumer behavior in the short term. Even in huge states like California, New York and Texas, government spending isn’t going to fluctuate much from year to year -- and when spending does go up a lot, it’s usually because those states are engaged in long-term capital projects backed by bond issues. In other words, classic investment-style government spending.

#### Alaska does not receive very much income from its oil pipelines. The states budget is too small to afford a new port.

**DeMarban July 1, 2012**

Will offshore oil development in Alaska's Arctic make state rich? Don't count on it. http://www.alaskadispatch.com/article/will-offshore-oil-development-alaskas-arctic-make-state-rich-dont-count-it Alex DeMarban | Jul 01, 2012

**A 2011 study** by the University of Alaska and Northern Economics examining the economic impact of several producing oil fields in the Arctic Ocean **shows the state can expect to earn $162 million annually if the trans-Alaska pipeline flows at full capacity**. That money would come mostly from a lower tariff and additional corporate income taxes. The state could gain $144 million in additional revenues to add to the $162 million, **but only with new taxes or new production on state land, including the creation of a natural gas pipeline**, the study shows. **The income is a pittance for a state with a $12 billion budget**. If the $162 million was paid to every Alaskan via their Permanent Fund dividend, each resident would receive just $250 a year. We pocketed more than four times that amount last year from our dividend checks. "**Most people don't realize that we get nothing**," says state Sen. Bill Wielechowski, D-Anchorage. **It would take a lot more oil being pumped through the trans-Alaska pipeline for the state to see significant income**. The line currently carries less than 600,000 barrels of oil a day, down from a peak of more than 2 million barrels a day in the late 1980s. If an additional 1.5 million barrels of oil was shipped through the trans-Alaska pipeline each day, the state could expect $122 million annually, according to the University of Alaska and Northern Economics study. That's the biggest chunk of the $162 million. The state would earn that revenue because the tariff -- the charge for shipping oil in the pipeline -- would drop, as costs to operate the line are shared by every barrel of oil moving through it. A **lower tariff would reduce the breaks on royalties and production taxes enjoyed by oil companies**. Thus, the state would collect more money.

### Not Enough Money

#### Currently, Alaska receives 10 times more grants than states like California. There’s no way the budget could be increased further to allow for the building of a deepwater port.

**Cooper 2012**

Meeting the Infrastructure Imperative An Affordable Plan to Put Americans Back to Work Rebuilding Our Nation’s Infrastructure By Donna Cooper | February 16, 2012http://www.americanprogress.org/issues/2012/02/infrastructure.html

First we must adopt formulas for distributing federal infrastructure funds that guarantee that all funds are allocated based on objective measures of need. **Current federal funding formulas meet far too many political goals instead of the true purpose of the appropriations**. For instance, **the current formulas that distribute federal** Highway Trust Fund **grants to states distribute nearly 10 times the amount of funding per capita to Alaska when compared to California.** **Meanwhile California has more than 52 times as many people as Alaska has**; it is home to the nation’s largest port, which means **its infrastructure has to support the nation’s largest highway freight traffic; and California has 13 times the number of miles of roadways as Alaska has**. Similarly, federal, state, and local infrastructure planning needs to rely on standardized cost-benefit analysis tools so scarce public funds are invested in projects with the greatest public return. **The illogical formula-based distribution of federal funds is often replicated at the state and local levels where funds are spread around so that most localities get a small bit of funding rather than making an objective decision on how best to spend the funds to meet the most compelling need for repair, congestion mitigation, or traveling efficiency.** A more rational approach to determining where and how infrastructure funds are spent should be matched with a solid funding system that provides a predictable flow of revenues**. The current on-again, off-again spigot of infrastructure funding undermines efficiency and contributes to the erosion of our assets.** Congress must enact a multiyear set of funding bills for all elements of our infrastructure with reliable and ongoing sources of money for investment to remedy this serious defect in our national infrastructure spending programs.

#### Alaska can’t allocate funds – shortfall in oil revenue proves

Burke 12

Alaska oil prices trading well below state's expectations Jill Burke | Jun 28, 2012 <http://www.alaskadispatch.com/article/alaska-oil-prices-trading-well-below-states-expectations>

With the 49th state's economic health harnessed to the oil industry, Alaskans are no strangers to wild fiscal rides. But as the state's 2012's books come to a close, the current dip in oil prices is not how Alaska financial experts prefer to start a new year. The new fiscal year begins July 1, and the state is heading into it with oil prices slumping. The oil industry is Alaska's main money-maker. Oil production funds nearly 90 percent of the things that make the state tick: roads, schools, police officers, bridges, ports and more. On Thursday, Alaska North Slope crude sold for $93 per barrel, about $17 less than the average value the state predicted when it built its $7.6 billion spending plan for 2013. 'We're watching it' To get the books to balance 12 months from now, the state will need the oil market to deliver an average price of $104 per barrel, the sweet spot between breaking even and coming up short. "We're watching it," Karen Rehfeld, the state director of Management and Budget, said Thursday when asked if current prices have the state headed for trouble. "The current price heightens the concern that's ever present." Ever-present concerns are a fact of life for any oil-reliant state. Oil prices, the number of barrels produced, and spending levels must align for the state to stay out of the red. Yes, Alaska has healthy savings to rely on in lean times. Yet Alaska budget hawks are loath to dip into it. Their goal is to avoid diminishing the reserves, knowing that days with far less oil will eventually arrive. "It's a huge concern," Rehfeld said. Since late February of 2011, the state has enjoyed oil prices above $100 per barrel, with an occasional bump above the $125-per-barrel mark. In June of this year, oil dipped below $100 a barrel for the first time in more than a year. The drop is largely attributed to global market forces outside the United States. Among them: geopolitical instability in Europe and beyond, a European financial crisis and shifting oil production in the Middle East. There, in the wake of U.S. sanctions that effectively reduced Iran's oil output, Saudi Arabia has put more oil on the market. The key to knowing whether current prices will cause heartburn over Alaska finances is determining how long lower prices will last. Some analysts predict that the downward trend is nearing its end, due in part to the seasonal nature of price fluctuations. The state's budget forecasts are based on averages. Months of lower values can be offset by months of higher ones. In a forecast published two months ago, the state offered a telling example. If a state needed a $50-per-barrel average to break even, and had experienced three months of $75 per barrel prices, it would only need prices for the remaining nine months to hover near $30 per barrel to hit the $50 average, it explained in a footnote. . Simply put, it's too early to know whether Alaska's 2013 budget may need some shaving to offset an unanticipated shortfall. "We certainly would have to take a look at where we are in a few months. It's early and we and we know that number is going to change," Rehfeld said.

#### Shell’s drilling won’t increase Alaskan funds even though they pay to improve infrastructure for the drilling.

Alex DeMarban 7/1Alex DeMarban is a journalist for the Alaska Dispatch. “Will offshore oil development in Alaska's Arctic make state rich? Don't count on it.” <http://www.alaskadispatch.com/article/will-offshore-oil-development-alaskas-arctic-make-state-rich-dont-count-it>

As it stands now, Alaska can expect no new oil royalties and no new production taxes if Shell produces offshore oil in federal waters. Those income streams are the state's lifeblood. For example, in 2011 the massive Prudhoe Bay oil field, which sits on state land, alone pumped $6.4 billion in royalties, taxes and fees into state coffers. Meanwhile**,** Alaskans would bear much of the environmental risks from offshore oil development, as well as pick up much of the tab to improve roads, ports, airports and other land-based facilities associated with offshore development**.** Still, the state would generate some income from Shell’s oil being transported through the trans-Alaska oil pipeline -- the 800-mile-long conduit that moves crude from Alaska’s Arctic oil fields southward to the deepwater port of Valdez, where tankers transport the oil to markets. A 2011 study by the University of Alaska and Northern Economics examining the economic impact of several producing oil fields in the Arctic Ocean shows the state can expect to earn $162 million annually if the trans-Alaska pipeline flows at full capacity. That money would come mostly from a lower tariff and additional corporate income taxes. The state could gain $144 million in additional revenues to add to the $162 million, but only with new taxes or new production on state land, including the creation of a natural gas pipeline, the study shows. The income is a pittance for a state with a $12 billion budget. If the $162 million was paid to every Alaskan via their Permanent Fund dividend, each resident would receive just $250 a year. We pocketed more than four times that amount last year from our dividend checks. "Most people don't realize that we get nothing," says state Sen. Bill Wielechowski, D-Anchorage. It would take a lot more oil being pumped through the trans-Alaska pipeline for the state to see significant income. The line currently carries less than 600,000 barrels of oil a day, down from a peak of more than 2 million barrels a day in the late 1980s.