

Barrow economy shows growth in private sector

by Brigitta Windishch-Cole

Prior to World War II, commercial whaling, reindeer herding, and trapping made up Barrow's economy. Located on the Chukchi Sea on the northern coast of Alaska, Barrow's annual temperature averages only 9 degrees Fahrenheit.

Cold winters and cool summers with little annual precipitation are the typical climate for this region. Within this environment Barrow, the northernmost community, has evolved from a small village into an important administrative headquarters.

In 1944, the U.S. Navy's petro-

leum exploration program started collecting geological data and drilling test wells. The government's campsite became known as the Naval Arctic Research Laboratory (NARL). At its peak the campsite housed 300 federal employees and employed 100 civilian workers. By 1983, only thirty employees re-

mained to take care of the facility.

The discovery of large petroleum and gas reservoirs approximately 400 miles east of Barrow changed the community forever. In 1972, the Arctic coast region incorporated as the North Slope Borough. As a political unit, it received authorization to levy property taxes. Substantial revenues from the oil fields fill the borough's coffers to support a large public sector. Property values, mainly the oil and gas tracts, exceed that of any other regional taxing jurisdiction in the state. Regional per capita tax revenue was nearly \$35,000 in 1993.

The people of Barrow

Between 1980 and 1983, Barrow's population increased by over 1,719 residents. This 76% growth was well above the statewide rate of 49%. The 1993 population estimate of 3,986 makes Barrow the twelfth largest city in the state. Over half of the borough's population resides in Barrow. According to the 1990 census, the median resident age is 27.2, versus Alaska's median age of 29.4. Alaska Natives, mainly Inupiat, comprise almost 66 percent of the population and have a median age of 22.6 years.

Barrow's median 1989 household income was 37% above the state's average. This community's income picture shows that over 19 percent of households earned above \$100,000.

In 1985, the management consultants of the McDowell Group compared costs of living between Alaskan communities and found that residents of Barrow had the highest cost of living in the state. Back in 1985, Barrow's cost of living was 45% above Anchorage's. The Alaska Housing Finance Corporation confirms that Barrow is still the most expensive city in Alaska in which to build. In a 1994 comparison, the cost of basic construction materials for residential

housing was 75% above Anchorage's. Just in December of 1993, the University of Alaska Cooperative Extension Service found that cost of food for a family of four with elementary school children was 114% above Anchorage's.

Public sector employs most of the labor force

The borough government, with its Barrow headquarters, is a major economic force. According to the borough, about 980 of its employees are located in Barrow. This represents two-thirds of the entire North Slope Borough's government work force. Barrow is also the administrative center of the region's school district. The district employs about 400 people in town. While local government employment is still growing, federal employment decreased over the years. The state retains only 32 people on its payroll. The combined public sector employment, however, represents 67% of the work force.

Private sector employment is small—but growing.

During the past five years private sector employment grew by 239 jobs. The construction industry is the largest private sector employer. With the borough's significant capital improvement budget in the implementation phase or on drawing boards, construction's top ranking comes as no surprise. Some private companies have branched into various enterprises. For example, the Arctic Slope Regional Corporation (ASRC) with twenty subsidiary companies in Alaska and the Lower 48, has several companies operating in Barrow. This Native corporation specializes in Arctic construction as SKW/Eskimo Inc., supplies fuel for Barrow as Eskimo Inc. and controls the operations of the Top of the World Hotel. Currently the Piquiniq Management Corporation, another ASRC affiliate, is ne-

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gotiating a contract with the borough to take over management of the community college. This may put seventy-seven of the borough workers on the private sector pay-

roll.

Because of the small size of Barrow's private companies, slight changes in the number of employees per company can shift the ranking of the top ten employers from

year to year. Consequently, no single dominant private employer has emerged.

The pulse of the economy is local government

Local government spurs continuous economic development growth. New residential and public buildings and improved infrastructure have changed Barrow's looks dramatically. The borough government now has plans for capital projects worth \$1 billion. This will boost construction employment.

Over the years the borough has added significantly to the residential housing inventory. It has become one of Barrow's largest land-

lords, owning 21% of all available housing units. The borough also became the provider and operator of a rather unique service for government as the operator of laundromats.

Borough's revenues more stable than state's

While state revenues fluctuate daily with oil prices, tax dollars for the North Slope Borough are less vulnerable to volatile market conditions. The valuation of the land leases and oil industry structures are closely related to exploration and production activities. Over time the values of the oil and gas properties are subject to change. Depreciation of structures and depletion of the resource continuously cut into their valuation. But new discoveries, new structures, and improvements avoid dramatic changes in the value of the tax base.

Hedging for the future

The permanent fund, low maintenance public construction, and education are examples of the borough's plans for the region's future. Barrow is using the wealth created by Alaska's oil industries to improve the lives of its residents today and to help them prepare for the future. In the preparation for

declining tax revenues, the North Slope Borough has established a permanent fund. Whenever government's income exceeds expenditures, the leftover dollars feed the existing fund's investment base. As of 1994, the value of the fund was \$287 million. Earnings from investments are earmarked to provide public services.

Because of the high costs of construction, future service of debt and maintenance budgets remain issues of concern in the community. Consideration of future costs is a decisive factor in public construction. Especially in this region, harsh climatic conditions challenge the endurance of any type of structure.

In Barrow, the borough offers a wide range of opportunities to obtain basic and continuing education. The 1994 operating budget set aside \$15.5 million for various job training programs including the Arctic Sivunmun Ilisagvik College.

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Courtesy Alaska Economic Trends.