

DCCED
Rural Migration Data
Summary



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Summary

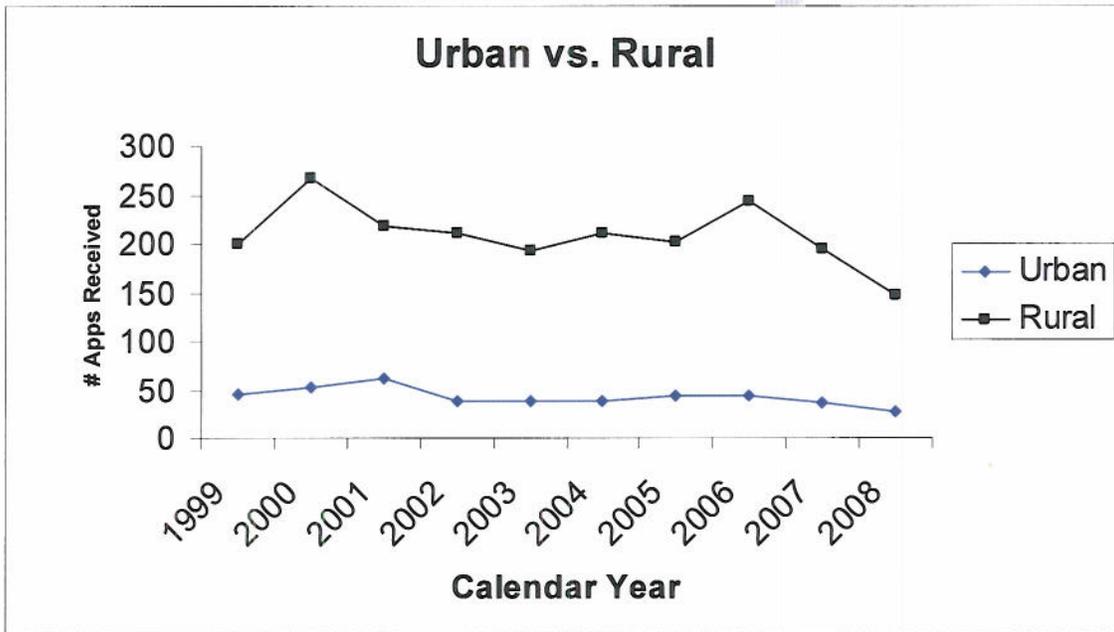
The Department of Commerce, Community and Economic Development compiled various in-house data in an attempt to understand rural to urban migration. In summary, data indicates the economic situation in rural Alaska has shifted which may be playing a role in recently reported abnormal population shifts.

- Dramatic increase in fuel prices
- Increases in food prices
- Large PFD may provided people with financial resource to move
- Decreases in the number of loan application, indicated economic opportunity is dwindling
- Increase in the number of delinquency from rural customers, proving financial strain on rural residents
- Increase in the number of PCE customers
- Increase in PCE distributions, indicated high cost of energy
- LIHEAP households served increased, reflecting more households meeting criteria
- Less economical to live in rural areas
- More economic opportunity in urban areas
- Urban lifestyle has become less alien due to television and internet

Division of Investments (Loan Applicants)

- In 2008 the number of applications received by Division of Investments reached a 10-year low of 147

In 2008, Division of Investment loan applications received from rural Alaska reached its the lowest level in 10 years. The number of applications received has been declining for three straight years. Applications received peaked in 2000 with 267 from rural residents, from 2001 to 2005 the number of applications received ranged from 193 to 218. After a marketing campaign focused on rural Alaska in 2006, applications peaked again at 244 before declining steadily to 147 in 2008. Rural residents made up 84 percent of the loan applications in 2008 down from 85 percent in 2006.



Division of Investments (Delinquent Loans)

- Number of delinquent loans from rural residents increased 96 percent in Sept. 1 2008 from Sept. 1 2007. However, the division indicates many customers have filed for extensions which would bring their accounts current
- The high number of rural delinquent loans may be an indication of customer's strained financial situations.
- Overall the Division of Investments portfolio has a delinquency rate of 2.6 percent for the Fiscal Year (FY) 2008.

As of September 1, 2008 the number of delinquent loans for Division of Investments rural customers increased 96 percent from 50 loans in 2007 to 98 in 2008. In 2008, rural residents accounted for 70 percent of Division of Investments delinquent loans, up from 52 percent in 2007. The division has reported a large number of extensions filed which will clear up any delinquent application when an agreement is reached.

The increased number of delinquent accounts and extension files indicates that the financial situation of rural residents has deteriorated over the last year. This is an indication that residents will seek opportunities to stretch their dollar as far as possible.

NOTE: Delinquency rates change from month to month depending on when borrowers make their payments or file for extension. The majority of loans are due in October making September the first month a loan may be delinquent.

Alaska Energy Authority (Power Cost Equalization Program)

- Population served **up 0.9 percent** in 2007
- Total customers **up 0.7 percent** in 2007
- Total diesel generated kWh **down 4 percent** in 2007
- PCE disbursements **up 18 percent** in 2007
- Data from the Power Cost Equalization Program (PCE) indicates over the last five years the amount of money needed to sustain supporting eligible communities has increased significantly.
- No long-term trends are apparent. Each data set has slight year to year fluctuation most likely due to reporting discrepancies. It is understood that some communities have not completed their annual reports on time for the report.

While data on the Power Cost Equalization program does not indicate any significant changes or trends. It is clear that between 2006 and 2007 the number of customers served has increased while the kWh generated decreased. Total PCE disbursements also increased indicated the cost of providing similar service year to year has increased as the price of fuel increased.

	FY 03	FY 04	FY 05	FY 06	FY 07
Population Served	79,229	78,166	79,178	77,859	78,530
Communities Served	185	181	183	181	183
Total Customers	27,489	27,515	27,880	28,165	28,357
Total Diesel Generation (kWh)	370,976,960	382,971,145	374,206,603	394,793,093	380,165,149
Avg. Monthly PCE Eligible kWh-Residential	291	293	288	287	283
Avg. Monthly PCE Eligible kWh-Community Facility	1,587	1,660	1,496	1,521	1,433
Total PCE Disbursements	\$15.4 million	\$15.6 million	\$15.4 million	\$21.5 million	\$25.4 million

LIHEAP

- State served households increased 5 percent in FY 08
- Funding in FY 08 increased 57 percent

The number of households served by the State LIHEAP program has increased over the last three years. In FY 2008 the State provided a total of \$10.4 million dollars in funding to households up from \$6.6 million in FY 2007. The State served 9,358 households statewide. Increases in the LIHEAP program households served indicate more residents are meeting the LIHEAP program qualification. While the number of households served increased, funding increases which are far greater indicate the cost of administering the program has increase due to rising energy costs. *Data obtained does not indication the location of households supported by the program.*

It is anticipated that in FY 09 the number of households that receive assistance will increase. The State has funded an additional program (Alaska Heating Assistance Program) to help support households not covered by LIHEAP.

The increased burden on State and Federal programs indicates Alaska households are having a difficult time heating their homes. Difficulties in home heating maybe driving residents to seek lower cost of living in other areas of the State.

	State Served Households	Funding	Tribal Served Households	Funding
FY 04	8,645	\$ 6.6 million	4,383	\$ 2.7 million
FY 05	9,055	\$ 7.0 million	4,924	\$ 3.2 million
FY 06	7,235	***	5,597	\$ 4.4 million
FY 07	8,896	\$ 6.6 million	4,425	\$ 2.4 million
FY 08	9,358	\$10.4 million	NA	NA

*** Data Error

DCRA (Fuel Prices Across Alaska (June, 2008))

- Unleaded fuel in rural communities retailed for an average of \$5.37
- Heating fuel in rural communities retailed for an average of \$5.53
- Heating fuel prices increased 28% statewide from November 2007 to June 2008, while Unleaded fuel prices increased 18%

The Department of Community and Regional Affairs completes a fuel price survey twice a year. According to their most recent comprehensive survey completed in June, rural communities surveyed paid an average of \$5.37 a gallon for unleaded fuel and \$5.53 per gallon of heating fuel across Alaska. However, it must be noted that regional differences are very significant. The report indicates prices were as high as \$9.10 for heating fuel and \$8.83 for unleaded.

Bridge Loan Program

- Six new communities accepted into the Bridge Loan Program
- Average price of fuel purchased through the program up 41 percent to \$4.98 per gallon

The Bridge Loan Program has experienced an increase in demand from communities which cannot finance fuel purchases through traditional avenues. A large increase in the number of communities served by the program was witnessed between 2007 and 2008 when six new communities received financing from the program. The average price of fuel also increased significantly (41 percent).

Increases in the demand for the Bridge Loan Program indicates communities are becoming financially stressed and having a difficult time providing services to residents.

	2006	2007	2008
Number of communities served	6	9	15
Avg. Price of Fuel	\$3.26	\$3.52	\$4.98

Food Costs

- The cost of feeding a family of four can range from **\$212 to \$323** depending on the community, compared to **\$123 in Anchorage**.
- **Eek** food (Family of 4) totaled **\$312.25** in June 2008
- **Kotlik** food (Family of 4) totaled **\$323.81** in June 2008
- **Bethel** food (Family of 4) **increased 16.4 percent** in three years
- Heating oil in **Bethel increased 51.6 percent** in three years
- **Kotzebue** food for family **increased 18.5 percent** in three years

According to the University of Alaska Cooperative Extension Service survey of Food Cost, prices for basic items have been increasing. While the cost of food and other necessities has always been more expensive in rural areas compared to urban, over the last few years the discrepancy has been increasing. In Bethel, the equivalent to \$100 of food in Anchorage cost \$191 in June of 2006. In June 2008, Bethel residents spent \$205 to purchase the equivalent amount of food.

Bethel

	June, 2006	June, 2007	June, 2008	% Change
Food (family of 4)	\$ 216.89	\$ 236.56	\$ 252.46	16.4 %
Electricity*	273.53	289.46	345.61	26.4
Heating Oil	4.42	4.59	6.70	51.6
Gasoline	4.58	4.60	5.77	26.0
Lumber**	5.24	5.24	5.16	-1.5

*1,000 kWh

** 2" x 4" x 8'

Kotzebue

	June, 2006	June, 2007	June, 2008	% Change
Food (family of 4)	\$ 232.19	\$ 255.08	\$ 275.10	18.5 %
Electricity*	196.37	151.31	154.01	-21.6
Heating Oil	3.90	4.26	4.45	14.1
Gasoline	4.68	5.30	5.50	17.5
Lumber**	11.65	14.83	12.71	9

*1,000 kWh

** 2" x 4" x 8'

Anecdotal Information

Rural to Urban migration

- Observed migration from rural areas to regional hubs
- Some areas like Juneau may be seeing migration from rural areas while also seeing out-migration as economic opportunities change
- Witnessing changes in school enrollments (Nome school district down 60 plus students, Anchorage enrollment up as many as 500 students)
- Nome seeing and influx of mine workers, while also experiencing out-migration to areas with lower cost of living
- Kotzebue sees few 20 to 40 year old residents
- No more than usual

Causes of migration

- Limited economic opportunities
- Used to be more economical to live in rural areas
- Barriers to participate in subsistence lifestyle
- Social connection via TV and Internet may have made urban life more realistic less alien
- Extreme size of PFD may have provided financial resource to move
- Cost of living- Fuel, food, energy and transportation
- Changes in subsistence opportunities

Impacts of Migration

- Increased demand on services in regional hubs
- Supplemental funding for social programs difficult to acquire, programs can't keep up with new demand
- Weakens social networks in communities losing residents
- Decrease of funding for schools and communities
- With younger generations leaving, elders may not be cared for as before
- Public safety facilities seeing increases in traffic
- Residents relocating will have trouble adapting to a new lifestyle
- Increase in the number of homeless in urban areas

Potential Solutions

1. Increase Community Planning and Local Government Assistance to local government administrators so the small community could become, or remain, accountable and solvent.
2. Develop programs to aid businesses providing necessary services to locals residents deal with the cost of doing business in rural areas.
3. Extend PCE to small rural businesses in distress, thereby off setting the high cost of doing business in Rural Alaska.
4. Develop transitional programs for rural residents moving to urban areas to help adjust to new lifestyles.
5. Increase job training in rural areas.
6. Develop resident hire criteria for area projects to spur local employment.
7. Lower transportation costs.
8. Increase the Community Revenue Sharing Program.
9. Establish tax incentives or exemptions for businesses to develop or operate in Rural Alaska.
10. Support E_trade programs.
11. Relax the rule regarding minimum number of students to retain school funding.
12. Place more State jobs in rural communities as appropriate.
13. Work to increase wages to offset for cost differentials.
14. Develop a subsistence fuel subsidy.