Southeast Alaska by the Numbers 2016

SOUTHEAST CONFERENCE

September 2016

Changes in Southeast Alaska: 2010 to 2015

Regional population increased by **2,731** people to **74,395 +4%**

Labor force increased by **1,950** jobs to **46,145** jobs **+4%**

Government jobs decreased by **650** jobs **-5%**
(excluding military)

Job Earnings Increased by **$308** million to **$2.2 billion +16%**

Passenger arrivals via plane, ferry & cruise ship increased by **188,000 +15%**

Southeast Alaska's Economy

If it weren't for state government's impending fiscal meltdown, the region would be well positioned for a prosperous future.

The last five years have been good to Southeast Alaska. People came here in droves, to visit and to live. Our overall population increased by 4% as 2,730 new people joined our ranks. We broke records in terms of visitors arriving by airplane, and 2016 could be our top year ever for total passenger arrivals by all modes. Since 2010, we added nearly 2,000 jobs and $308 million in total workforce earnings, and 2015 was a record year for regional employment and earnings.

By many indications, our economy should continue to grow. Tourism is growing at 4% per year for the foreseeable future. After three years of declines, mineral prices are on the rise again, which is great news for our local mines. The maritime economy has taken off, and for the first time ever we are building Alaska ferries by Alaskans for Alaskans right here in Southeast Alaska. The seafood industry hit an all-time harvest record in 2013, and although the last couple years have been weak there are indications that next year will be better. The military has gone from being an economic footnote to becoming a key economic driver, as our Coast Guard personnel have grown to more than 800 members in 2016. As our population ages and health care needs grow, the medical industry is poised to expand to meet increasing demand.

Yet, despite so many positive indicators, we are not going to continue to grow. As the capital region for the state we are dependent on state government, both for employment and expenditures, and the economic health of the state government is declining rapidly.

Between 2014 and the first half of 2016, nearly 500 regional state jobs were cut—mostly in Juneau and Ketchikan—with a payroll impact of $28 million. More cuts are on the way. The state capital budget that has funded so many exciting recent projects in our communities has been slashed - from $385 million for our region in FY13 to $47 million in FY17—which will hit our construction sector particularly hard. The University of Southeast Alaska is eliminating programs. State marketing to attract tourists to Alaska has been cut by 92% in the last two years. Annual government payouts to our citizens in the form of the PFD will be reduced moving forward, meaning that fewer dollars will be circulated among local businesses.

As wages and disposable incomes shrink, so will the size of the retail sector. Our private sector is scaling back on hiring as it battens down the hatches and prepares to weather this storm. It will take some time for the full extent of these cuts to be felt across the region. For 2016 and 2017, expect the regional economy to remain mostly flat.

A Message from Southeast Conference

President
Chelsea Goucher

Having been born and raised in Ketchikan, I can attest to the fact that as Southeast Alaskans we often have a difficult time seeing the forest for the trees. Our communities are isolated and geographically distant from one another, and transportation, energy, and telecommunications concern us in ways that individuals living in other parts of the U.S. might have a difficult time understanding. Because of this isolation, it is all too easy for us to look inward and focus on those issues most pressing to our own communities. In a time during which the State of Alaska is facing a severe budget crunch, demographics are shifting, and access to natural resources is dwindling, it may be easy to adopt the attitude of "every man for himself."

I love the publication "Southeast Alaska by the Numbers" because it reminds me every year that this position is weak. We all have much more in common than differences, and these differences—when integrated into the regional picture—are sources of strength which we all can and should celebrate. "Southeast Alaska by the Numbers" reminds us that our communities—while beautifully unique—each share many of the same concerns, and it reinforces the truth that because of these similarities, we are truly stronger when united as a regional force.

We all have a stake in the health of our fishing, mining, mariculture, timber, tourism, and maritime industries. We all benefit from lower energy costs and efficient transportation systems. We all will thrive from improved telecommunications infrastructure, better access to medical care, and the development of value-added manufacturing sectors. "Southeast Alaska by the Numbers" reminds us of this truth and points out where we can, as a region, do better to support both one another and our own communities, tribes, and families.

As stated previously, this is not the time to "go it alone." Though our communities are isolated from one another, often more glaring is our collective isolation from the rest of the state. We are all Alaskans through and through, and now is the time to stand together to ensure that our region prospers through this difficult financial time and far into the future. One important step Southeast Conference has taken to ensure this prosperity is its adoption of the Alaska Marine Highway Reform Project in conjunction with the State of Alaska. I am so proud of this project. It is a perfect example of Southeast Alaskans coming together and joining with other Alaskans from across the state to ensure our collective survival—more than that, our ability to thrive.

I hope you enjoy reading "Southeast Alaska by the Numbers 2016," and I truly hope you enjoy this year's annual meeting—thank you, Petersburg! Most importantly, I hope you are reminded of our incredible diversity and strength as a region and are honestly inspired to do your part to ensure strong economies, healthy communities, and a quality environment in Southeast Alaska.

Executive Director
Shelly Wright

We are in challenging times. State budgets are dwindling and our economies are suffering, but as usual Southeast Alaskans are optimistic and looking for opportunities to get through this. As I visit different communities in Southeast, I find that business owners are cautiously looking forward. We are so lucky to live in Southeast Alaska. Fishermen are still fishing, and with that there is still a need for boat building and repairs. Miners are still mining, and with that there is a need for over 148 occupations that make a mine function. Loggers are still logging, and with that the mill on Prince of Wales is still processing logs and providing support to businesses. Energy projects are being developed to prepare communities for relief from diesel consumption. Gardens are popping up all across Southeast while tribal elders and leaders are passing on the knowledge of traditional food gathering and storing. The University enrollment is growing, and we are still getting thousands of tourists visiting our shores every summer. Everywhere we look there are business opportunities—not always easy opportunities but opportunities nonetheless. Making it work is what we do here. The first Southeast Conference meeting was held in Petersburg 58 years ago, so how appropriate it is that we are back in Petersburg to discuss the reform of the system. At the Annual Meeting many friends come together to share sorrows and joys, projects, and needs. We are excited to be back in Petersburg. We look forward to sharing our message with our members from across the region and enjoying the hospitality of Petersburg.

The mission of Southeast Conference is to **undertake and support activities that promote strong economies, healthy communities and a quality environment in Southeast Alaska**. As the state and federally designated regional economic development organization, Southeast Conference serves as the collective voice for advancing the region's economy. We have 180 member organizations representing 1,200 people from 32 regional communities. We started 58 years ago with a group of people supporting the establishment of a regional transportation system, leading to the formation of the Alaska Marine Highway System. Our members stayed together through more than a half-century to focus on concerns unique to the region.

Credit: Cover photo of Sitka by Jeffrey Wickett. Cover icons created by graphic illustrator Averyl Veliz.

Five Years of Change: 2010 to 2015

The following table tracks key Southeast Alaska indicators over the past 5 years, along with associated changes.

Demographics	**2010**	**2014**	**2015**	**Change 2010-15**
Population [1]	71,664	74,560	74,395	**4%**
Ages 65 to 79 [2]	5,664	7,603	8,018	**42%**
Under Age Five	4,823	4,622	4,545	**-6%**
Regional Population Excluding Juneau [1]	40,389	41,402	41,118	**2%**
K-12 School District Enrollment [3]	11,388	11,804	11,513	**1%**
General Economic Conditions				
Total Labor Force (jobs, includes self-employed & USCG) [1, 5, 6]	44,195	45,694	46,145	**4%**
Total Job Earnings [1, 5, 6]	$1.9 billion	$2.17 billion	$2.2 billion	**16%**
Total Private Sector Payroll [1, 6]	$1.2 billion	$1.41 billion	$1.44 billion	**20%**
Average Annual Wage [1]	$42,991	$47,593	$47,846	**11%**
Annual Unemployment Rate [1]	7.5%	7.1%	6.5%	**-1%**
Top Economic Sectors	**2010**	**2014**	**2015**	**% Change**
Government	**Public Sector: 35% of all employment earnings**			
Total Government Employment [1, 5]	13,862	13,602	13,499	**-3%**
Federal Employment [1, 5] (8% of all employment earnings)	2,134	2,110	2,129	**0%**
USDA (Forest Service)	618	521	530	**-14%**
State Employment [1] (14% of all employment earnings)	5,571	5,504	5,282	**-5%**
City and Tribal Employment [1] (13% of all employment earnings)	6,164	5,988	6,088	**-1%**
Total Government Payroll (includes USCG) [1, 5]	$696.7 million	$765.8 million	$769.9 million	**11%**
Commercial Fishing & Seafood Industry	**Key Industry: 12% of all employment earnings**			
Total Seafood Employment (includes fishermen) [1, 6]	3,966	4,372	4,365	**10%**
Total Seafood Employment Earnings [1, 6]	$209.5 million	$259.0 million	$254.6 million	**22%**
Pounds of Seafood Processed [7]	206,848,075	230,311,924	238,204,188	**15%**
Pounds Landed (commercial seafood pounds by SE residents) [8]	282,947,030	300,899,066	300,733,621	**6%**
Estimated Gross Earnings (ex-vessel value of pounds landed) [8]	$274.4 million	$267.0 million	$224.3 million	**-18%**
Visitor Industry	**Key Industry: 9% of all employment earnings**			
Total Visitor Industry Employment [1, 6]	5,890	6,923	7,401	**26%**
Total Visitor Industry Wages/Earnings [1, 6]	$158.1 million	$188.5 million	$207.3 million	**31%**
Total Southeast Alaska Passenger Arrivals	1,232,614	1,362,737	1,420,877	**15%**
Cruise Passengers [10]	875,560	967,500	994,000	**14%**
Total Air Passenger Arrivals from Outside Southeast [11]	332,164	372,197	405,554	**22%**
Total AMHS Passengers from Outside Southeast [12]	24,890	23,040	21,323	**-14%**
Total Southeast AMHS Passengers [12]	251,503	242,648	223,000	**-11%**
Health Care Industry (public & private health)	**Key Industry: 8% of all employment earnings**			
Health Care Employment [1, 6]	3,294	3,323	3,294	**0%**
Health Care Wages [1, 6]	$158.1 million	$174.5 million	$182.0 million	**15%**
Maritime Economy (Includes employment from all industries)	**Top Sector: 27% of Private Sector employment earnings**			
Private Maritime plus USCG Employment [1,5,6]	5,907	6,768	6,847	**16%**
Private Maritime plus USCG Wages [1,5,6]	$305.9 million	$395.5 million	$399.5 million	**31%**
Other Selected Statistics	**2010**	**2014**	**2015**	**% Change**
Construction Employment [1, 6] (7% of all employment earnings)	2,107	2,168	2,120	**1%**
Mining Employment [1] (5% of all employment earnings)	536	783	795	**48%**
Price of Gold [15]	$1,225	$1,266	$1,160	**-5%**
Consumer Price Index for Anchorage [1]	195.144	215.805	216.909	**11%**
Housing Starts: New Housing Permitted and/or Completed [4,1]	130	321	197	**52%**
Total Megawatt Hours Sold in Southeast [13]	810,205	858,718	853,695	**5%**
Avg. Daily Volume ANS Oil Production (mbbls/day) [14]	619,903	513,318	508,330	**-18%**
Annual Avg. Domestic Crude WTI Oil Prices (in $/Barrel) [16]	$78.90	$52.08	$40.11	**-49%**

Sources: [1]Alaska Department of Labor (ADOL); [2]ADOL Southeast Alaska Population by Age, 2010 to 2015; [3]Alaska Department of Education and Early Development; [4]Based on the quarterly Alaska Housing Unit Survey, a survey of local governments and housing agencies; [5] US Coast Guard; [6] 2014 US Census Nonemployer (self-employment) Statistics; [7]ADF&G Seafood Production of Shorebased Plants in Southeast Alaska, 2000 through 2015; [8]ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information, 2012-2015; [9]Alaska Forest Association; [10]McDowell Group & Cruise Line Agencies of Alaska; [11]US Bureau of Transportation Statistics (RITA); [12]Alaska Marine Highway System; [13]Annual Electric Power Industry Report. U.S. Energy Information Administration; [14]Alaska Department of Revenue *Revenue Sources Book;* [15]Kitco Metals Inc.; [13]EIA, *www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm*

The Whole Economy

46,145 Jobs

UP 450 JOBS IN 2015 +1%

$2.1 Billion Workforce Earnings

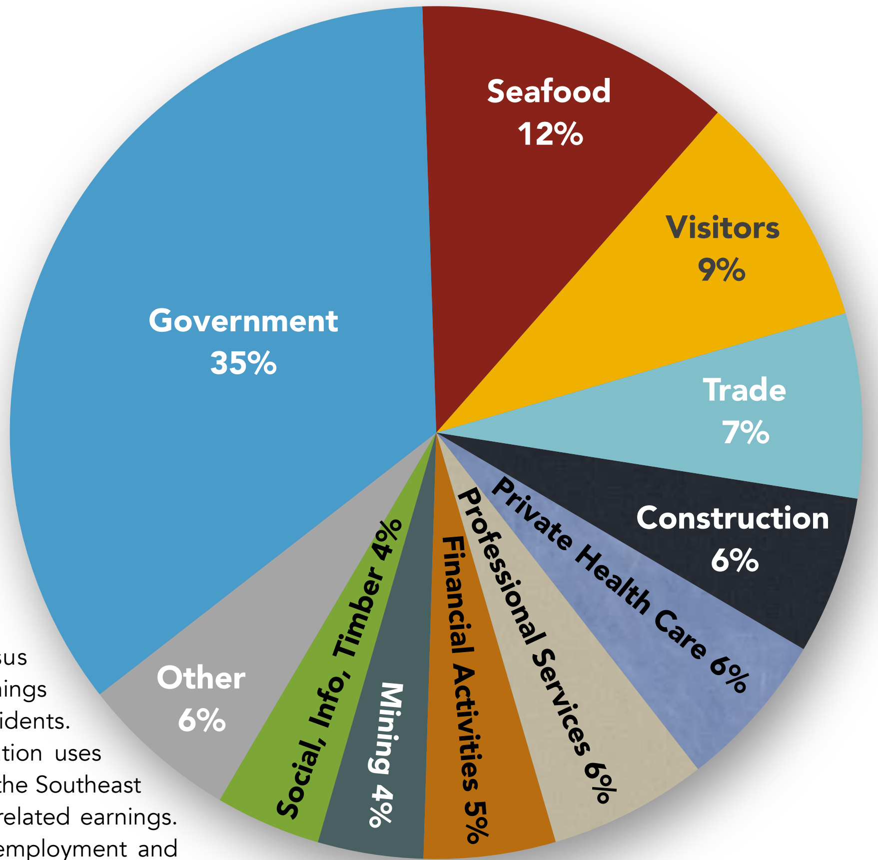
UP $33 MILLION +2%

In 2015, we added 450 job to our economy, along with $33 million in new workforce earnings. Since nearly one-fifth of the workers in the region are either self-employed or military, this publication includes self-employed individuals and active duty Coast Guard personnel. There are important differences in how employment, self-employment, and active duty military data are measured, but combining these data sets with Alaska Department of Labor's Employment and Wage data provides a much clearer and more accurate picture of the regional economy as a whole.

Self-employment is measured using the US Census Nonemployer Statistics, which track self-employment earnings by using tax return data for Southeast Alaska residents. Nonemployer Statistics lag by one year, so this publication uses 2014 self-employment data. The chart to the right shows the Southeast Alaska regional economy as a whole based on all work-related earnings. The data table below provides a detailed breakout of employment and workforce earnings.

2015 Southeast Alaska Employment Earnings

Includes US Coast Guard Payroll & Self-Employment Earnings



2015 Southeast Alaska Employment Related Earnings

	EMPLOYMENT RELATED EARNINGS			EMPLOYMENT NUMBERS		
	Wages (2015)	Self-Employment Earnings (2014)	Total Earnings	Annual Average Employment (2015)	Self-Employed (2014)	Total Employment
Government (includes Coast Guard)	$717,312,157	$52,624,442*	**$769,936,599**	12,841	658*	**13,499**
Seafood Industry	$82,105,036	$172,453,000	**$254,558,036**	1,959	2,406	**4,365**
Visitor Industry	$175,266,760	$32,023,000	**$207,289,760**	6,494	907	**7,401**
Trade: Retail and Wholesale	$123,489,800	$23,139,000	**$146,628,800**	4,159	582	**4,741**
Construction Industry	$102,743,962	$33,760,000	**$136,503,962**	1,513	607	**2,120**
Health Care Industry (private only)	$116,139,379	$11,985,000	**$128,124,379**	2,187	224	**2,411**
Professional and Business Services	$90,527,760	$44,656,000	**$135,183,760**	1,670	1,241	**2,911**
Financial Activities	$52,435,647	$64,023,000	**$116,458,647**	1,137	628	**1,765**
Mining Industry	$81,768,879	$130,000	**$81,898,879**	792	3	**795**
Warehousing, Utilities, & Non-Visitor Transport	$47,337,364	$13,982,000	**$61,319,364**	811	163	**974**
Social Services	$45,171,382	$3,326,000	**$48,497,382**	1,475	187	**1,662**
Information (publishing, broadcasting, telecomm.)	$22,536,036	$1,639,000	**$24,175,036**	515	48	**563**
Timber Industry	$15,067,656	$2,256,000	**$17,323,656**	277	44	**321**
Other	$53,508,920	$26,432,000	**$79,940,920**	1,609	1,008	**2,617**
Total	**$1,725,410,738**	**$482,428,442**	**$2,207,839,180**	**37,439**	**8,706**	**46,145**

Sources: Alaska Department of Labor 2015 Employment & Wage data; 2014 US Census Nonemployer (self-employment) Statistics; 2015 US Coast Guard employment & wage data.
*These cells in Government refer to 2015 active duty Coast Guard personnel employment and wages, and not self-employment data.
Notes: Seafood Industry includes animal aquaculture, fishing & seafood product preparation (NAICS 1125,1141,3117), and Southeast Alaska resident commercial fishermen (nonresident fishermen & crew who did not report income are excluded). **Visitor Industry** includes leisure & hospitality, and visitor transportation (air, water, scenic) (NAICS 71, 72, 481, 487, 483). **Timber** includes forestry and logging support activities for forestry, and wood product manufacturing (NAICS 113, 1153, 321).

Southeast Maritime: 6,850 Jobs

Private and US Coast Guard Maritime Employment & Workforce Earnings

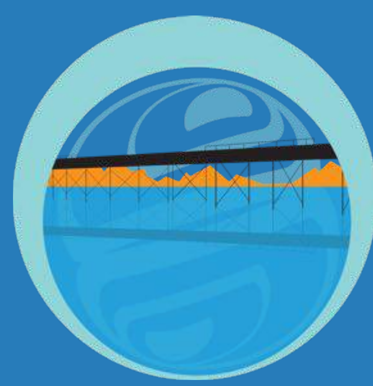
Fishing & Seafood Processing
Jobs: **4,365**
Wages: **$254.6 M**
Change in jobs 2010-15: **+10%**

Marine Tourism
Jobs: **971**
Wages: **$30.7 M**
Change in jobs 2010-15: **+27%**

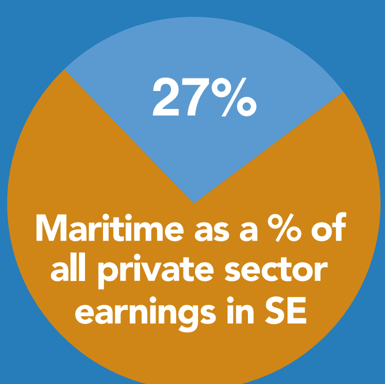
US Coast Guard
Jobs: **829** (Active Duty and Civilian)
Wages: **$69.7 M**
Change in jobs 2010-16: **+62%**

Marine Transportation (Excluding Tourism)
Jobs: **409**
Wages: **$31.4M**
Change in jobs 2010-15: +**2%**

Ship Building, Repair, Marinas
Jobs: **280**
Wages: **$12.3 M**
Change in jobs 2010-15: **+19%**



Marine-Related Construction
Jobs: **34**
Wages: **$3.1 M**
Change in jobs 2010-15: **+17%**



Southeast Private & USCG Maritime Economy 2010-2015

Total Jobs 2015: **6,850**
Total Wages 2015: **$400 Million**
Change in jobs since 2010: **+940**
Change in jobs by percent: **+16%**
Change in earnings since 2010: **+$94 Million**
Change in earnings by percent: **+31%**

Maritime icons created by graphic illustrator Averyl Veliz.
For methodology, notes, and sources, see *www.raincoastdata.com/sites/default/files/Maritime by the Numbers.pdf*

Southeast Seafood Industry 4,365 Jobs

DOWN 7 JOBS IN 2015 0%

Our all-time record seafood harvest in Southeast Alaska was set in 2013, and the numbers have been a bit lackluster since then. The total Southeast Alaska seafood harvest in 2015 was 301 million pounds with a total ex-vessel value of $224 million—a 40% decline in value from two years earlier, and 14% below the 10-year average. The harvest for 2016 is threatening to be the lowest in years.

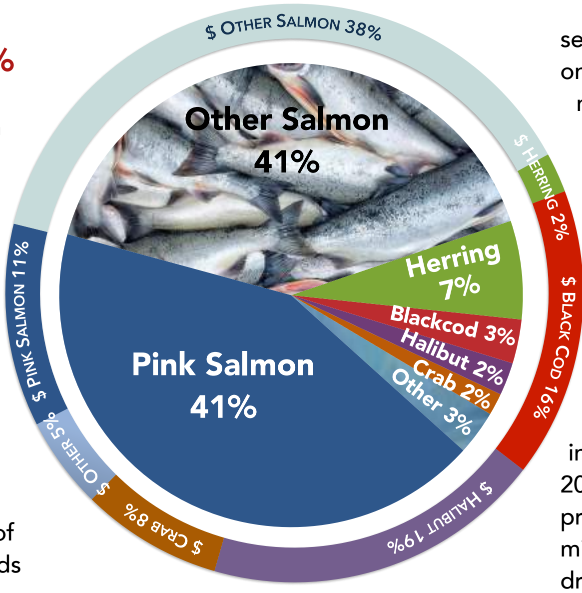
THE SEAFOOD INDUSTRY IS A KEY ECONOMIC DRIVER

Seafood harvests have been a critical part of the Southeast Alaska economy for thousands of years, and it was over Southeast Alaska salmon that statehood itself was fought. The regional seafood industry (including commercial fishermen and seafood processors) generated 4,365 annual regional jobs in 2015, making up **12% of all regional employment earnings** and **9% of all jobs**.

Those working in our region's seafood industry earned $254 million last year, which represents a $45 million increase since 2010. Nonresident commercial fishermen and crew members are excluded from these figures. The majority of the statewide catch of the Chinook, coho, chum, shrimp, Dungeness, and the dive fisheries occurs in Southeast Alaska.

SEAFOOD LANDED IN SE ALASKA BY SPECIES, 2015

Outer ring = % of harvest by dollar value.
Inner pie = % of harvest by pounds landed.



REGIONAL SEAFOOD FACTS 2010-2015

- Since 2010, **2 billion pounds of seafood** were harvested from Southeast Alaska waters with a catch value to fishermen of **$1.8 billion.**
- More than a **third of all Alaska salmon** were caught in Southeast Alaska, along with **three-quarters of all Alaska King Salmon**.
- Seafood earnings increased by **22%**, a **$45 million** rise since 2010.

In 2015, the five salmon species represented 82% of the overall regional seafood catch in terms of the volume—but only half of total ex-vessel value ($112 million). Halibut and blackcod—while just five percent of the total pounds landed—accounted for more than one-third of the total catch value in 2015. (See double pie chart to the left).

SEAFOOD PROCESSING

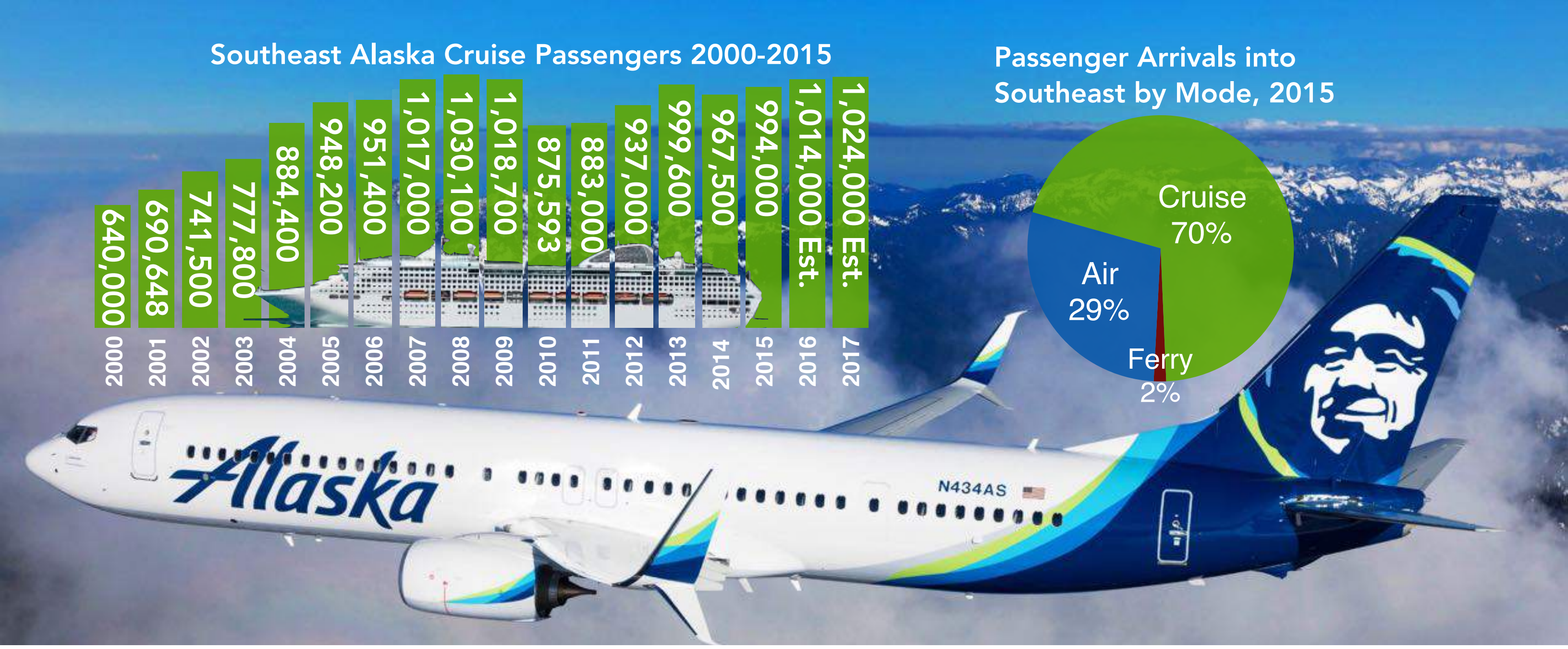
In 2015, shore-based seafood facilities in Southeast Alaska processed 238 million pounds of seafood, with a wholesale value of $466 million, a 3% increase in seafood pounds processed over 2014. State-shared fisheries taxes for processing activity in FY15 generated $3.9 million for regional communities, a 32% drop from the year before.

SEAFOOD INDUSTRY OUTLOOK

The preseason forecast for 2016 predicted 34 million pink salmon and 49 million salmon altogether. As of August 2016, only about half of these harvest levels had been realized, bringing the catch far below expectations, which were low to begin with.

Regardless of the final 2016 count, expect the volume of the 2017 seafood harvest to be well above 2016 levels. The two-year pink salmon life cycle, which spikes in odd-numbered years, will drive the regional harvest up in 2017.

Sources: Combination of ADOL 2015 Employment and Wage data; 2014 US Census Nonemployer (self-employment) Statistics; ADF&G Seafood Production of Shorebased Plants in Southeast Alaska; ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information; Run Forecasts and Harvest Projections for 2016 Alaska Salmon Fisheries and Review of the 2015 Season; ADF&G April 2015; ADF&G 2016 Preliminary Alaska Commercial Salmon Harvest - Blue Sheet Updated August 29, 2016; Shared Taxes and Fees Annual Report FY15, ADOR; Alaska Commercial Salmon Harvests and Ex-vessel Values, ADF&G. **Seafood Industry** includes animal aquaculture, fishing, & seafood product preparation (NAICS 1125,1141,3117) and Southeast Alaska resident commercial fishermen (nonresident fishermen & crew who did not report income are excluded).
Photo credit: Chris Miller.



Southeast Visitor Industry 7,400 Jobs

Up 480 Jobs in 2015 +7%

Visitors have been coming to Southeast Alaska since John Muir wrote about the area in 1879. Today this sector is the region's fastest growing industry. In 2015, 1.4 million air, ferry, and cruise passengers came to Southeast Alaska from outside the region, a 4% increase over 2014. Airline passenger traffic was up 9%, and cruise passenger traffic to the region increased by 3%. Ferry passenger traffic was down by 8% due to service cuts. Most (70%) visitors to the region come by cruise ship.

Key Economic Driver

The visitor industry is one of the region's largest private sector employers in terms of jobs, accounting for 16% (7,400) of all regional employment and 23% of all private sector jobs. Since 2010, visitor industry employment grew by 26%, with 1,500 new jobs. Those working in the visitor industry earned $207 million in 2015—or nine percent of all regional employment income.

One-third of all Alaska visitor spending occurs in Southeast, where visitors spent $622 million in 2015 (excluding transportation to and from Alaska). The total 2015 economic impact of the industry to the region was $1.2 billion.

Increased Jet Service

Southeast Alaska saw a record-breaking number of airline passengers in 2015, topping the peak number of arrivals previously set in 2007. A total of 405,554 passengers arrived from outside the region. But it doesn't look like that record will last long. As of July 2016, airline passenger arrivals were up 8% over the first half of 2015, meaning that 2016 will likely be another record year for aviation visitors. Delta Airlines began summer flight services between Juneau and Seattle in 2014 for the first time since 1996, driving prices down and flight activity up.

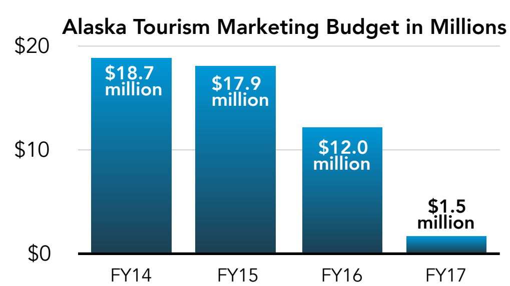
Cruise Ship Traffic

Cruise passengers are also nearing record numbers, topping a million passengers for the first time since 2009. In 2016, a projected 1,014,000 cruise ship passengers will visit the region, making 480 voyages on 31 cruise ships. Southeast Alaska is continuing to see larger ships replacing smaller vessels. To handle this change Juneau has built a panamax dock that opened in 2016 and is in the process of building a second so that Juneau will have the capacity to host four 1,000-foot vessels at a time. Icy Strait Point completed a 400-foot floating dock, Adventure Center, and restaurant in 2016. Southeast Alaska received 4.5% of all global cruise ship passengers in 2015. Despite the fact that cruise ridership is increasing, the region's global share of passengers is expected to decrease to 4.1% in 2016.

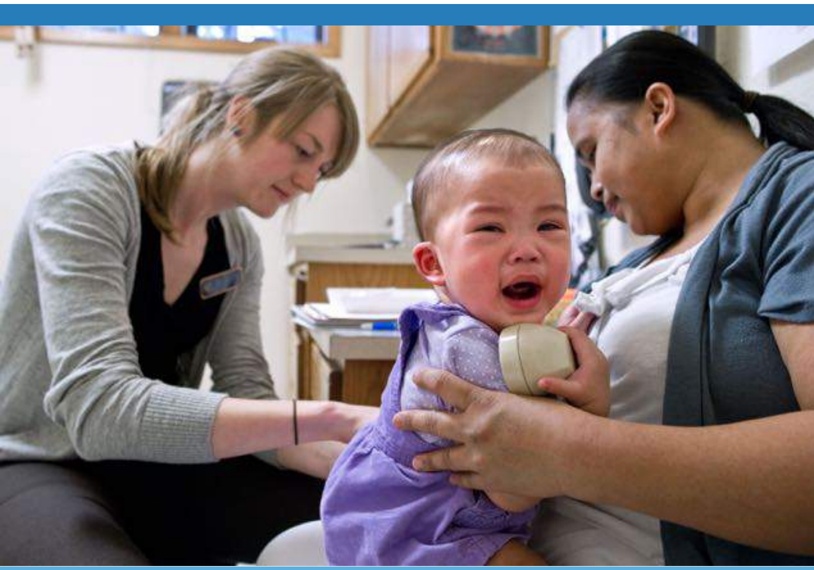
Visitor Outlook

The visitor industry has the strongest outlook of all Southeast Alaska industries, and 2016 is looking like it could be the best year ever for this sector. It tends to follow national trends, which are projected to grow around 4% annually through 2020. As the national economy grows stronger, and perceived security risks for international travel destinations increase, Southeast Alaska becomes even more attractive to visitors.

Cruise passenger arrivals are likely to hit a new record in 2018, finally surpassing the current record set in 2008. While the number of voyages is likely to remain the same, expect the number of cruise passengers coming to the region to rise by 2% per year as larger ships visit the region. Airline passenger numbers are also expected to grow. Along with increased visitors, the number of jobs and related income in this sector should continue to improve. However, a deep reduction in the Alaska Tourism Marketing budget by the state could impact growth in the longer term. It was $17.9 million in FY2015 but will only be $1.5 million in 2017, a 92% cut. In comparison, Hawaii spent $84 million in tourism marketing last year.



Sources: Combination of ADOL 2015 Employment and Wage data and 2014 US Census Nonemployer (self-employment) Statistics; McDowell Group; US Bureau of Transportation Statistics (RITA); Alaska Marine Highway System; Cruise Line Agencies of Alaska; Cruise Market Watch; Juneau International Airport Passenger Statistics; Economic Impact of Alaska's Visitor Industry. Forecast 2020 U.S. Department of Commerce, US Office of Travel and Tourism Industries. OMB budgets. **Note:** In this analysis, the visitor industry includes leisure and hospitality businesses, along with air, water & scenic transportation companies. Photo credit: Alaska Airlines.



Southeast Healthcare Industry 3,300 Jobs

Down 30 Jobs in 2015 -1%

When both private and local hospital healthcare services are taken into account, Southeast Alaska's 3,294 healthcare workers earned 8% ($182 million) of all regional wages in 2015. Albeit by a small margin, regional healthcare employment fell for the third year in a row in 2015. This in spite of the fact that the health care industry is projected to be the fastest growing in the state through 2022, that health care needs in our region have been increasing due to an aging populace and a (slightly) growing population, and that there have been increasing patient volumes for some major regional providers.

There appear to be several reasons for this. The healthcare sector continues to face uncertainty due to the state's budget shortfall and questions regarding longer-term Medicaid expansion decisions, which is leading medical institutions to not replace departing staff as they wait to see how the state will resolve its budget distress. Also, as healthcare becomes more expensive, providers are pressured to contain costs and consolidate "shared services"—meaning that jobs like accounting, payroll, and human resources that used to be local are increasingly being done outside of Southeast Alaska in places where the cost of living is less. Another contributing factor is the influence of medical tourism, as travel to Anchorage and the lower-48 for medial care becomes more common. Finally, with implementation of the Affordable Care Act, there has been intense demand for medical workers at all levels nationwide, which makes local retention and recruitment for regional medical industry jobs more difficult than it had been in the past, leading to fewer hires.

Healthcare Industry Outlook

These pressures that have limited the growth of healthcare in the region show no signs of abating any time soon, and indeed, early employment numbers for 2016 show job losses continuing. The forecast is for this industry to essentially remain flat in 2016 and 2017.

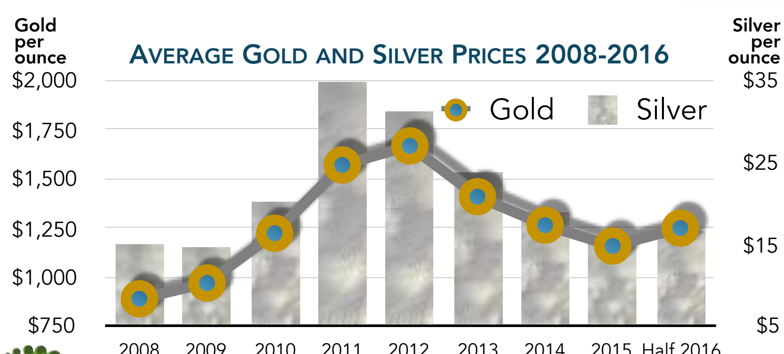
Southeast Mining Industry 800 Jobs

Up 12 Jobs in 2015 +2%

In 2015, there were 795 annual average mining jobs in Southeast Alaska, with a payroll of $82 million. The two large mines operating in the region account for nearly all mining employment. In August 2016 Hecla Greens Creek employed 418 full-time permanent employees, while Kensington had a staff of 325. With an average annual wage of $103,000, mining jobs pay the highest wages in the region of any sector.

Hecla Greens Creek is one of the largest silver mines in the world, with an orebody that also contains zinc, gold, and lead, while the Coeur owned Kensington is exclusively a gold mine. In 2015, the production at both mines was up. Kensington increased its production by 7% over 2014 with 126,266 ounces of gold in 2015. At Hecla Greens Creek silver production was up by 9% to 8.5 million ounces of silver, 61,934 tons of zinc, 60,566 ounces of gold, and 21,617 tons of lead.

After several years of downward trends, metal prices are up in 2016. Gold rose 22% in 2016 to $1,344 in August 2016. Silver rose 40% and zinc rose 52% in the same time period. Precious metal prices tend to increase when there is a lack of confidence in global financial markets. Much of the 2016 gold and silver rise (50 to 60%) has been credited to the UK's Brexit vote to leave the European Union. Mineral exploration has remained dormant, with the exception of the copper-zinc-silver-gold Palmer Project near Haines.



Sources: ADOL 2015 Employment and Wage data; Kitco Metals Inc; Coeur Mining Inc. 2015 Annual Report; Hecla Mining Company 2015 Annual Report. Photo credits: Michael Penn.

Southeast Timber Industry 320 Jobs

Down 7 Jobs in 2015 -2%

Despite a slight uptick in 2014, regional timber jobs were down again in 2015 by 2%. This comes on top of significant recent job losses. Since 2010, employment in this industry has been reduced by 24%. In 1991, there were 3,543 year-round timber jobs in the region, peaking in August with 4,200 timber workers. In 2016 dollars, those job losses represent $257 million in annual direct wages, or roughly all the earnings of the regional seafood industry combined. The number of board feet harvested annually has fallen by 96% from peak levels in the 1990s.

Today, most of the regional timber jobs are divided between two organizations: Sealaska, the regional Alaska Native corporation, and Viking Lumber on Prince of Wales Island—the last remaining mid-sized sawmill in the region. Alcan Forest Products is another key employer. Timber workforce earnings were $17.3 million for 2015.

Timber Outlook

Timber industry employment is likely to continue to decline into 2016 and beyond for the following reasons:

- The Forest Service's pending Tongass Transition Plan to young growth will reduce, and then terminate, access to old-growth timber which has been the mainstay of industry sales;
- Litigation over nearly every timber sale has made log deliveries to Viking Lumber uncertain and is a barrier to potential new mills obtaining the financing needed to join the Southeast industry;
- Timber available for sale is often uneconomic, thereby constraining supply to Viking Lumber and potential new mills; and
- The poor outlook for future economic timber is a disincentive for continued participation in the Southeast timber industry.

Southeast Construction Industry 2,120 Jobs

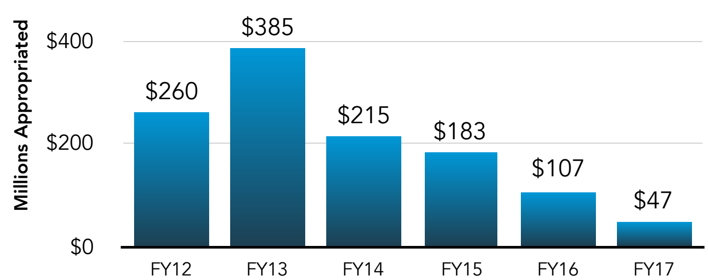
Down 50 Jobs in 2015 -2%

For the second year in a row construction employment is down. Jobs fell by 50 last year to 2,120, and early employment data from 2016 indicates that construction related employment will drop another 100 jobs this year. Construction workers in the region earned $136.5 million in 2015—or 6% of all Southeast Alaska employment earnings.

Construction outlook

Over the last five years, new homes, commercial buildings, and high-profile publicly-funded projects have created a construction boom. Unfortunately, the contraction of the State capital budget and decreased federal spending means that future projects are no longer being added to the lists of planned activity. As large-scale endeavors are unable to obtain funding, construction projects will be put on hold, and employment levels will drop. Legislative capital appropriations in the region have already dropped 88% from $385 million in FY13 to just $47 million in the FY17 budget.

State Budget Capital Appropriations in Southeast Alaska



Home construction was also down 39% from the year before, with just 197 new housing units permitted or completed in 2015. While single family home construction was up slightly, multi-family unit construction was down significantly.

Sources: Combination of Alaska Department of Labor 2015 Employment and Wage data and 2014 US Census Nonemployer (self-employment) Statistics; State of Alaska Capital Budget FY12-17. **Photo credits:** Timber by Ansley Dahlstrom. Construction by Michael Penn.

Southeast Alaska **Government**

Government
13,500 Jobs

Down 100 Jobs in 2015 -1%

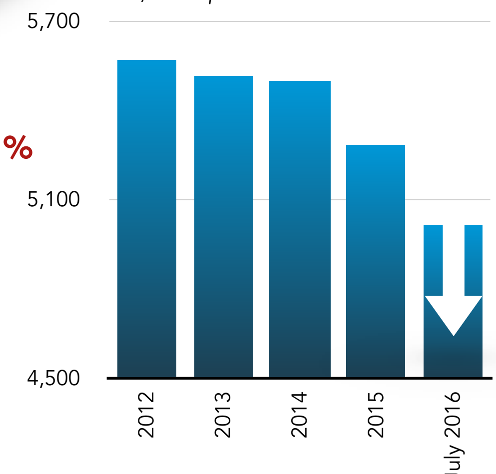
Government wages made up 35% of all regional employment earnings ($766 million) and 29% of the region's jobs (13,500) in 2015, but this sector is on the decline, with job losses occurring in every area of government —state, federal, local, and tribal—with the exception of the US Coast Guard.

State Government Losses

In Southeast Alaska, 14% of all direct wages come from the State. From 2014 through July 2016, nearly 500 State of Alaska jobs were lost with associated annual wages of $28 million. Three-quarters of these jobs came out of Juneau, with Ketchikan losing most of the rest. Declining oil production and prices have devastated the State of Alaska budget and are poised to create a significant downward drag on the regional economy. The state is facing budget gaps of more than $3 billion a year. State spending is down 44 percent since 2013, but even with this reduction, state savings will be depleted in less than two years without legislative action. Reduced state spending also has a direct negative impact to the private sector, since many local businesses provide the majority of their services to the public sector, and reduced government employment will eventually decrease demand for goods and services across the region.

Southeast State Jobs

State jobs in the region are down 260 in 2016 so far, and nearly 500 jobs since 2014, a drop of 9%



Federal Government Losses

Southeast has lost 300 federal jobs since 2010

Federal government employment losses are compounding state job cuts. Since 2010, federal jobs (excluding active duty Coast Guard, which has been growing) fell by 300. Since 2004, jobs in this sector have fallen by 28%, translating into a loss of $48 million in wages across the region annually. Federal spending declines also mean fewer projects and programs that support the region.

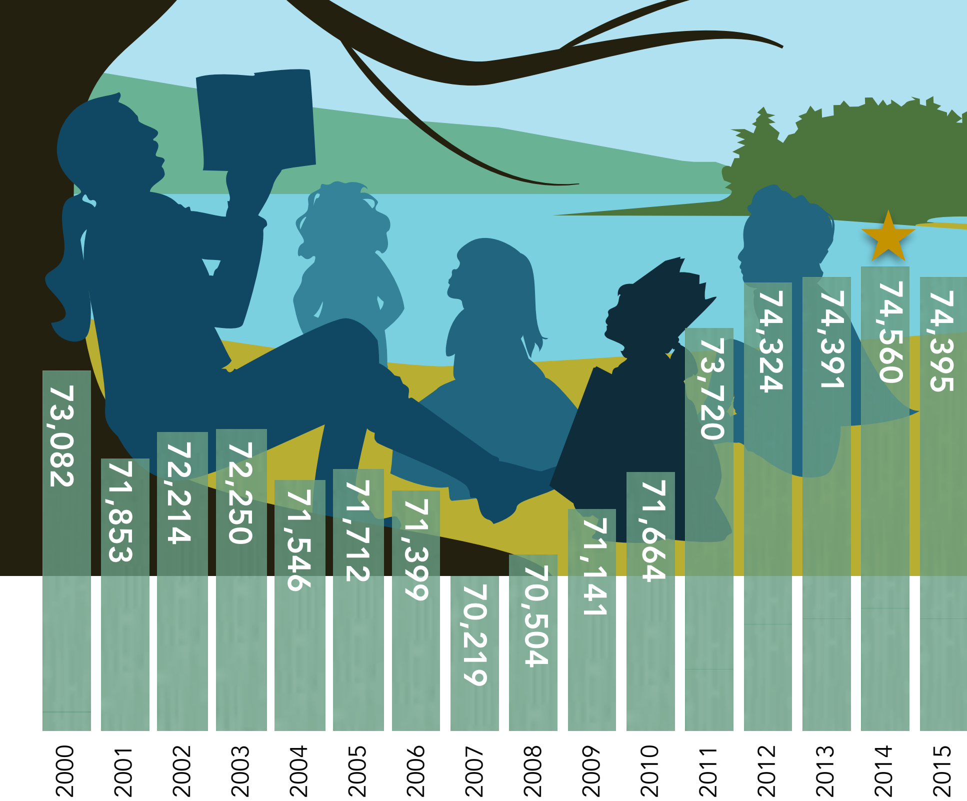
Local Government Losses

Changes in local government employment have been less dramatic. However, declining State revenue and federal budget cuts continue to result in payment reductions to municipal and tribal governments. Communities across the region are struggling financially, and relying on savings to cover unexpected shortfalls stemming from state budget cuts. Most municipalities are sending the same message—they can make up the differences from rainy day accounts this year, but not next year.

Government Outlook

Early job reports from 2016 are grim. Local and federal employment levels are down by 1% each. State employment is down by 260 jobs in the first half of the year, and according to the Office of Management and Budget, further cuts will result in approximately 200 additional Southeast jobs cut by June 2017. As for making projections regarding the future, Policy Analyst Sylvan Robb explains: "Ideally the legislature will act this coming session and pass the Governor's proposals to implement a sustainable budget, thus stemming job losses. Until we know the outcome of the next session, it is impossible to project what might happen beyond next year."

Sources: ADOL 2015 Employment and Wage data; U.S. Coast Guard; Alaska Department of Revenue. Photo Credit: Michael Penn.



Demographics

Population 74,395

Down 165 People in 2015 -0.2%

Between 2010 and 2015 Southeast Alaska's population increased by 2,730 people, or 4%, hitting record population levels for four years in a row. However, for the first time in eight years the population shrank, albeit by a tiny margin. Between 2014 and 2015, we lost 165 people (-0.2%). These losses were not centered in any particular place, with half of our communities recording a handful of fewer people.

Five Years of Shifting Trends

Despite five years of relatively flat trends, there were some interesting shifts in the region during this period. The number of people in their 40s shrank by 1,500, and we ended up with 300 fewer babies and toddlers—a 6% drop for kids four and under. But the most pronounced five-year shift was the continued explosion of baby boomers into their older years. Those aged 65 to 80 grew by 42% (2,350 people). By 2017, the Alaska Department of Labor projects that a quarter of our population will be 60 or older.

Gustavus was the biggest mover and shaker since 2010, growing by 21% for a gain of nearly 100 people. Significant population growth (of 19% or higher) was experienced by some of our smaller communities, including Kasaan, Whale Pass, and Port Alexander.

Among communities with over 1,000 residents, Skagway grew by the most, a 7% gain. Juneau added 2,000 new people to its ranks, a growth of six percent. The island of Prince of Wales grew by nearly 6%, thanks to strong growth in places like Klawock, Thorne Bay, and Coffman Cove. Most of these new residents came from outside Alaska, and not from neighboring communities. The number of people moving within Southeast has steadily declined during the past 15 years.

Places with double-digit percentage population losses since 2010 included Pelican and Elfin Cove.

Population Outlook

Alaska Department of Labor projects an additional increase of less than one percent by 2017 (580 new people), but with the public sector continuing to shed jobs, any upward population trends appear unlikely.

Population Change 2010 to 2015

	2010	2015	Change
Juneau Borough	31,275	33,277	6%
Ketchikan Borough	13,477	13,778	2%
Sitka Borough	8,881	8,929	1%
Petersburg Borough	3,203	3,199	0%
Haines Borough	2,508	2,493	-1%
Wrangell Borough	2,369	2,442	3%
Metlakatla	1,405	1,472	5%
Craig	1,201	1,180	-2%
Skagway Municipality	968	1,040	7%
Klawock	755	820	9%
Hoonah	760	783	3%
Yakutat City & Borough	662	613	-7%
Kake	557	620	11%
Thorne Bay	471	510	8%
Gustavus	442	533	21%
Angoon	459	426	-7%
Hydaburg	376	402	7%
Coffman Cove	176	194	10%
Tenakee Springs	131	142	8%
Naukati Bay	113	107	-5%
Hollis	112	113	1%
Hyder	87	82	-6%
Klukwan	95	93	-2%
Pelican	88	79	-10%
Kasaan	49	86	76%
Port Protection	48	54	13%
Edna Bay	42	47	12%
Port Alexander	52	62	19%
Whale Pass	31	46	48%
Game Creek	18	21	17%
Elfin Cove	20	15	-25%
Point Baker	15	14	-7%
Balance (POW, H/A CA)	801	723	-10%
Total	**71,664**	**74,395**	**4%**

Sources: Alaska Department of Labor (ADOL); ADOL Southeast Alaska Population by Age, Sex and Borough/Census Area, 2010 to 2013; Alaska Department of Education and Early Development; Alaska Population Projections 2012 to 2042, April 2012; 2010 US Census. Image credit: Avery Veliz.

Southeast Alaska Regional Overview

78%

The Federally-Managed Tongass Makes up nearly 4/5th of ALL Southeast Alaska

Southeast Alaska Land Ownership
Circle size = Number of Acres

16% Other Federal Holdings make up nearly all the rest (mostly Glacier Bay)

3.4% Alaska Native Organizations are the region's next largest land owner

2.5% State of Alaska Lands include those managed as part of the Mental Heath Trust

0.25% Municipal Land Holdings

0.05% ← Private land owners

Sources: Personal communications with Kyle Moselle, State of Alaska; Susan Jennings, US Forest Service; Brian Kleinhenz, Sealaska. *Economies in transition: An assessment of trends relevant to management of the Tongass National Forest, USDA 1998.*
Photo Credit: Canoe by Annie Caufield.

The Region

The Southeast Alaska Panhandle extends 500 miles along the coast from Metlakatla to Yakutat, encompassing approximately 33,500 square miles of land and water. The full saltwater shoreline of Southeast Alaska is approximately 18,500 miles. More than 1,000 islands make up 40 percent of the total land area. The region is home to 34 communities. The three largest communities—Juneau, Ketchikan, and Sitka—together are home to 75 percent of the regional population. Alaska Natives make up nearly a quarter (22%) of the region's population. The Tlingit, Haida, and Tsimshian have resided in the region for thousands of years.

Land Ownership

Southeast Alaska's land ownership is dominated by the federal government, which manages 94 percent of the land base. Most of this (78%, or 16.75 million acres) is the Tongass National Forest. The remaining federal lands are mostly in Glacier Bay National Park. The State manages 2.5 percent of the total land base (511,500 acres), including the Alaska Mental Health Trust Authority and University of Alaska lands. Boroughs and communities own 53,000 acres—a quarter of one percent of the entire regional land base. Alaska Native organizations, including village, urban, and regional corporations and the Annette Island Reservation, own 3.4 percent (728,100 acres) of the land base. Other private land holdings account for 0.05 percent of the remaining land base. The lack of privately owned land and land available for development is unique in Southeast Alaska and impedes the ability of the region to nurture the private sector. (See infographic on the left.)

Economic Trends

Beginning in the 1880s, the economy of Southeast Alaska experienced a century of growth that intensified after statehood in 1959. From statehood into the 1990s, population and employment levels in Southeast more than doubled as the workforce expanded in the areas of mining, government, fishing, tourism, and timber. However, the later 1990s and early 2000s were difficult years for the Southeast Alaska people. At the beginning of the 1990's seafood and timber directly accounted for a fifth of the regional economy. Over that next decade pulp mills and sawmills in the region closed, laying off 3,200 workers. During the same period, the value of salmon declined, and catch values fell by two-thirds. Total Southeast Alaska wages hit bottom in 1997. It would be another ten years before the adverse economic consequences of timber industry losses worked their way through the regional economy. Population levels continued to decline through 2007. Between 2008 and 2015 the region staged a recovery, gaining people and jobs; however, the recent state budget crisis is poised to change the economic trajectory of the region, where state jobs and expenditures are key drivers.

Southeast 2020 Strategic Plan Summary

In May 2016, Southeast Conference released the Southeast Alaska 2020 Economic Plan, a new five-year strategic plan for the region. The membership worked together to develop an overall vision statement, 47 objectives, and 8 priority objectives, along with regional and industry specific SWOT analyses. More than 400 people representing small businesses, tribes, Native organizations, municipalities, and nonprofits were involved in various elements of the planning process. The Plan's objectives are listed below.

Transportation

★ **Priority** Minimize Impacts of Budget Cuts to AMHS and Develop Sustainable Operational Model.
Road Development.
Move Freight to and from Markets More Efficiently.
Ensure the Stability of Regional Transportation Services Outside of AMHS.

Energy

★ **Priority** Work with Federal and State Government to Promote Regional Energy Projects.
★ **Priority** Diesel Displacement.
Support Community Efforts to Create Sustainable Power Systems That Provide Affordable/Renewable Energy.
Complete Regional Hydrosite Evaluation for Southeast Alaska.

Maritime

Maritime Industrial Support

★ **Priority** Maritime Industrial Support Sector Talent Pipeline: Maritime Workforce Development Plan.
Continue to Grow the Regional Maritime Sector.
Increase Access to Capital for the Regional Maritime Industrial Support Sector.
Support Capital Investments in Expanded Marine Industry Support Infrastructure.
Harbor Improvements.
Examine Arctic Exploration Opportunities That the Region as a Whole Can Provide.

Seafood Industry

★ **Priority** Mariculture Development.
★ **Priority** Full Utilization and Ocean Product Development.
Increase Energy Efficiency and Reduce Energy Costs.
Regional Seafood Processing.
Seafood Markets.
Sea Otter Utilization and Sustainable Shellfish.
Maintain Stable Regulatory Regime.
Seafood Workforce Development.

Visitor Industry

★ **Priority** Market Southeast Alaska to Attract More Visitors.
Improve Access to Public Lands.
Increase Flexibility in Terms of Permit Use.
Increase Yacht and Small Cruise Ship Visitations.
Improve Communications Infrastructure.
Advocate for Funding to Maintain Existing Recreational Infrastructure.
Grow Cultural and Arts Tourism.

Timber Industry

★ **Priority** Provide an Adequate, Economic and Dependable Supply of Timber from the Tongass National Forest to Regional Timber Operators.
Stabilize the Regional Timber Industry.
Work with USFS to Direct Federal Contracts Toward Locally-Owned Businesses.
Support Small-Scale Manufacturing of Wood Products in Southeast Alaska.
Continue Old-Growth Harvests Until Young-Growth Supply is Adequate.
Community-Based Workforce Development.
Update Young Growth Inventory.

Other Objectives

Housing: Support Housing Development.
Food Security: Increase Production, Accessibility, and Demand of Local Foods.
Communications: Improved Access to Telemedicine in Southeast Alaska.
Marketing: Market Southeast Alaska as a Region.
Solid Waste: Regional Solid Waste Disposal.
Education: Partner with University & K-12 to Meet Workforce Needs
Arts: Increase Recognition of Southeast Alaska's Thriving Arts Economy.
Mining: Minerals & Mining Workforce Development.
Research: Attract Science and Research Jobs to Southeast Alaska.
Cultural Wellness: Support Activities and Infrastructure That Promote Cultural Wellness
Healthcare: Meet Regional Needs.

2020 PlanPriority Objective #1:

Minimize Impacts of Budget Cuts to AMHS and Develop Sustainable Operational Model

Project Steering Committee

Chair: Dennis Watson - Craig
Dave Kensinger - Petersburg
Greg Wakefield - Anchorage
Elizabeth Bolling - Ketchikan
Shannon Adamson - Juneau
Josh Howes - Anchorage
Will Ware - Juneau
Sharon Hildebrand - Fairbanks
John Whiddon, SWAMC - Kodiak
Dan Kelly - Ketchikan
Michael Anderson - Cordova
Dennis Bousson - Skagway
Staff: Robert Venables

Project Timeline

Step I: The "AMHS Reform Project"

Phase I: Mission, goals and governance recommendations.
Completion expected by December 2016

Phase II: Twenty-five Year Ferry System Operating Plan.
January 2017 through December 2017

Step II: AMHS Value Outreach
Ongoing through 2020

Step III: Address Decreased State Funding Impacts
Ongoing through 2020

Photos were provided by the AMHS.

Southeast Conference's eight priority objectives were ranked in order of importance. The top priority objective of the organization is to secure the long-term viability of the ferry system.

Project Background

Southeast Alaska is dependent on marine transportation linkages for nearly every facet of its economic existence. Because of this, the health of the Alaska Marine Highway System (AMHS) is vital to economic development in the region, and the AMHS is at a critical juncture. The impact of declining oil production and prices on the state budget means that the ferry system must determine a way to maintain services while decreasing costs. In May 2016, Governor Bill Walker signed a Memorandum of Understanding with Southeast Conference to undertake a statewide comprehensive planning process aimed at improving the long-term viability of AMHS. Southeast Conference is working on a two-phase approach that will identify structural changes to improve the operability and financial health of the state ferry system.

Step I: Design New Strategic Operating Plan for AMHS: The "AMHS Reform Project"

Steering Committee Led: A steering committee comprised of Alaskans from across the state will oversee development of the plan, and the process will involve broad public engagement and multiple stakeholder meetings.

Phase I: Mission goals and governance recommendations. The first phase of the project will identify alternative governance models for the state ferry system, recommend the model best suited to operate the system in an economically optimal way that meets user needs, and explore options to install an empowered governance board. Elliott Bay Design Group and McDowell Group have teamed together to work on this phase.

Phase II: Comprehensive Operations and Business Plan: A new ferry system operating plan will be developed using the findings and recommendations from phase I in order to ensure a financially sustainable Alaska Marine Highway System for at least the next 25 years. Phase II includes a fleet renewal plan.

Step II: AMHS Value Outreach

Communicate the significance and large scale economic importance of the ferry system to the public as well as to lawmakers. Southeast Conference recently published *The Value of Alaska Marine Highway in 25 Stories* in collaboration with five Alaska Regional Development Organizations.

Step III: Address the Impacts of Decreased State Funding

Work with AMHS and Administration to minimize service cuts to communities, while developing revenue sources beyond the farebox.

Participate in creating the vision for Alaska's marine highway

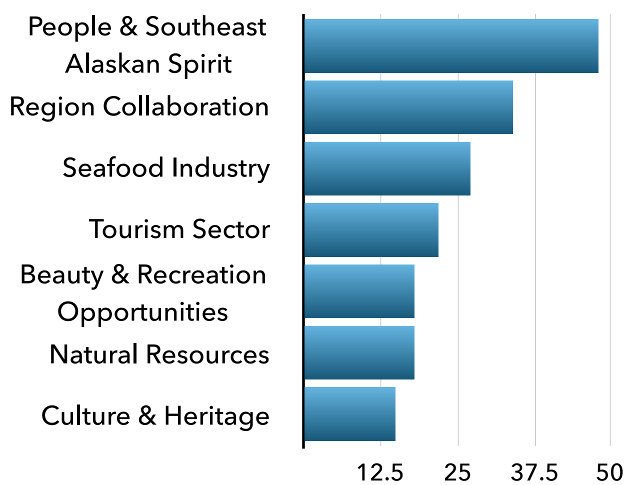
Find out more at *www.seconference.org/transportation-issues*

Southeast Alaska SWOT Analysis: *Strengths, Weaknesses, Opportunities & Threats*

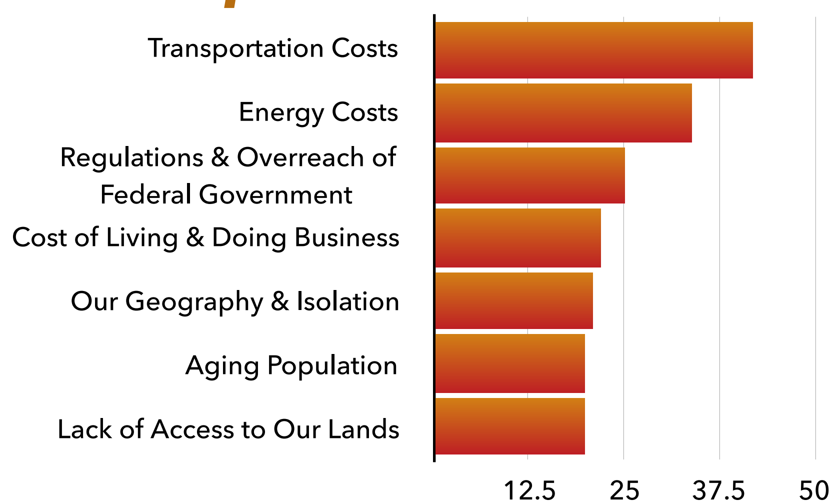
At Southeast Conference's March 2015 Mid-Session Summit, 180 people representing small businesses, tribes, native corporations, municipalities, and community organizations generated nearly **1,200 individual written comments** that became part of this analysis.

- Top Strength: **Our people & our Southeast Alaskan spirit**
- Top Weakness: **Transportation costs**
- Top Opportunity: **Seafood & product development**
- Top Threat: **Federal government regulations & overreach**

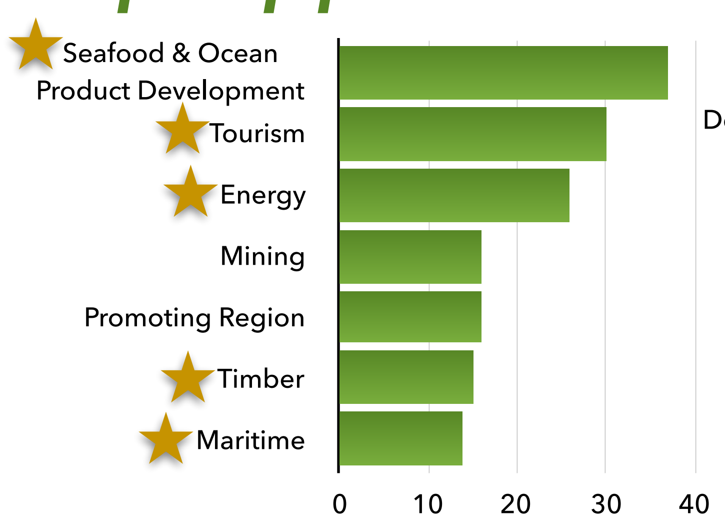
Top Strengths



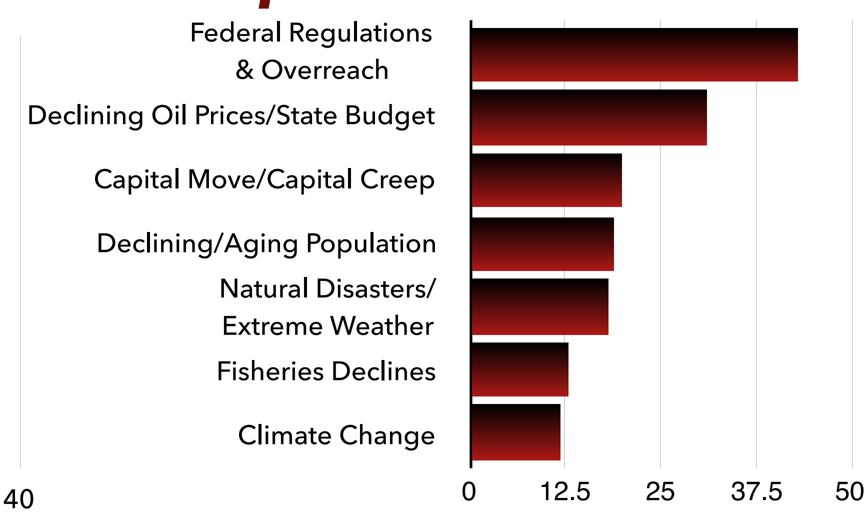
Top Weaknesses



Top Opportunities



Top Threats



Industry specific SWOT analyses for each of Southeast Alaska's key economic sectors can be found in the 2020 Economic Plan.

★ A star signifies that one of the eight priority objectives in the regional economic plan addresses this "top opportunity."

MAP OF SOUTHEAST ALASKA AND THE AMHS FERRY ROUTE 2016

SOUTHEAST CONFERENCE

Southeast Conference Board

Garry White – President
Executive Director, Sitka Economic Development Association

Chelsea Goucher – Vice President
Sales Representative, Alaska Marine Lines

Patricia Phillips – Past President
Mayor, City of Pelican

Joe Jacobson – Secretary
Vice President of Business Development, Huna Totem Corp

Shelia Kleinschmidt – Treasurer
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Dennis Watson – Director
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Rorie Watt – Director
City Manager, City & Borough of Juneau

Bryce Dahlstrom – Director
Vice President, Viking Lumber

Liz Cabrera – Director
Economic Development Director, Petersburg

Jan Hill – Director
Mayor, Haines Borough

Gordy Wrobel – Director
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