

Southeast Alaska Resiliency Mapping

Weatherizing for the Economic Storm



At Southeast Conference's March 2016 Mid-Session Summit, audience members participated in a resiliency mapping exercise. The purpose of this process to determine and detail the key strategies that private business owners, elected officials, tribal leaders, municipalities, and community organizations are implementing or planning to implement in order to respond to our current state fiscal situation.

Economic resilience is the ability to withstand and recover quickly from a disruption to the economic base. Southeast Conference serves as both a source for information to deal with economic challenges and as a convener of regional stakeholders to gather data and collaborate post-disruption. Conducting a Southeast Alaska Resiliency Map was part of a larger planning effort to develop the Southeast 2020 Economic Plan that will be completed in May 2016.

Those not at the meeting in person could participate electronically. More than 200 Southeast Alaskans from 23 communities and 24 sectors across the region rated their level of concern regarding the pending economic crisis, and wrote down the actions they plan to take to ensure the economic resilience of their businesses, industries, communities, and region. Nearly **400 individual written comments** that became part of this analysis. Comments were individually sorted by comment type and content. The results were definitive and clear.

What actions/initiatives/changes will you implement (or what do you think should be implemented) to ensure the economic resilience of your business/industry/community in response to the impacts of the State budget situation?

1. The most frequent response was from business leaders preparing to reduce their expenses in order to be resilient through an economic downturn. **Business are planning on cutting costs**, reducing employees, delaying investments, reassessing operations, refocusing resources on core businesses functions, and increasing savings.
2. The second key strategy regional leaders intend to employ is to **increase economic development through long-term strategies**, collaboration, and support of local businesses.
3. The next most frequent response was to **reduce the size of both state and municipal government** through budget cuts, service reduction, reduced spending, and employee cuts.
4. The fourth area of change Southeast Conference members think is needed to address the fiscal situation is an increase of taxes, specifically **implementation of an income tax**.
5. In the face of impending cuts, members noted that a **strong ferry-focused transportation system** is critical.

1 Reduce private business expenses

Cut Costs Employee Reductions or Hiring Freeze Delay Investments Reevaluate Business Operations

2 Increase economic development:

Economic Planning & Analysis Collaborate Support Local Businesses

3 Reduce gov't spending & services:

Budget Cuts Reduce Services Spend Frugally

4 Increase Taxes: Income Tax

Oil Tax Change Industry, Sales or Property Tax

5 Maintain ferry services

6 Increase communication with government

7 Restructure the Permanent Fund

8 Diversify economy

9 Make region more attractive

10 Natural resource development

11 Focus on tourism

12 Invest in education

13 Build roads

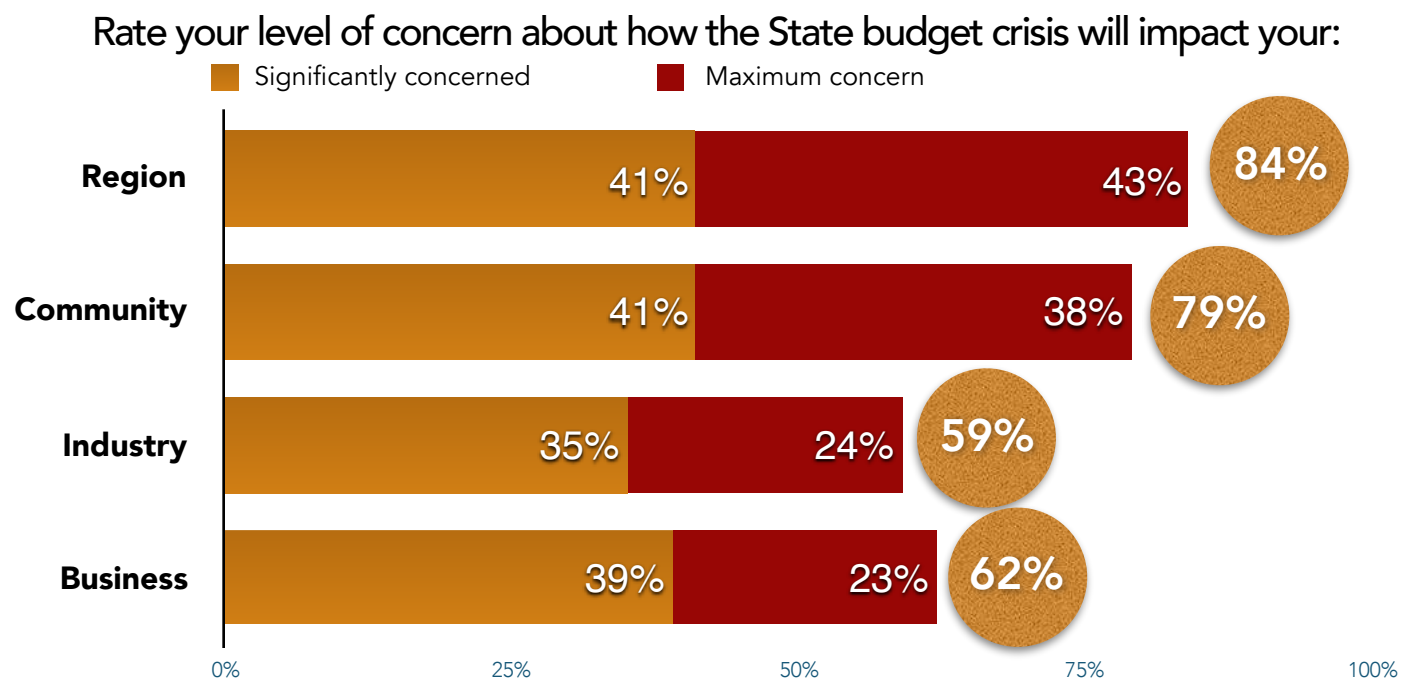
14 Increase private land holdings

Resiliency Mapping (Font size = number of responses)

What actions will Southeast Alaska community and business leaders implement or advocate for to ensure the economic resilience of regional businesses and communities in response to the impacts of the state fiscal crisis?

How concerned are regional leaders regarding the impacts of State fiscal situation?

In March 2016, 200 Southeast Conference members were asked to rate their level of concern regarding how the State of Alaska budget situation would impact their communities, businesses, industries, and the region as a whole. Nearly all - 99% of respondents - said they were concerned about how the budget crisis would impact the regional economy, with 84% saying they are "significantly concerned" or have "maximum concern". Most concerned were elected officials, 60% of whom say they have "maximum concern" regarding the overall impacts facing the region. Those involved in education registered the highest degree of concern regarding the impact of impending cuts on their industry. Respondents from Wrangell were most concerned regarding the ultimate impact on their community.



	Maximum concern	Significantly concerned	Moderately concerned	Not concerned
Region	43%	41%	15%	1%
Community	38%	41%	17%	3%
Industry	24%	35%	31%	10%
Business	23%	39%	25%	11%



The Situation

Alaska is facing an uncertain fiscal future. Oil, which once accounted for 90% of the state's unrestricted revenues, has dropped below \$40 per barrel. State revenue provide less than a third of what is needed to balance the budget this year. While the state has savings, using them will leave the treasury empty in two years. In the meantime, Southeast Alaska jobs are starting to decline as state jobs are reduced. We have lost 400 state jobs to date. The Legislature is currently deciding how to address this gap, including budget cuts.

The current economic outlook for this situation ranges from concerning to devastating. A study by Gunnar Knapp, of the University of Alaska's Institute of Social and Economic Research, shows that Alaska's economy will crash on the scale of the 1980s recession. ISER's conclusion is that even if the Legislature makes the best choices, closing the \$4 billion deficit would cost up to

30,000 jobs in direct and indirect losses. Since Southeast Alaska represents 10% of Alaska's people and wages, we can assume that Southeast Alaska will absorb a 10th of these losses - or a loss of 3,000 Southeast Alaska jobs.

If there is one thing Southeast Alaskans understand well, it is economic resilience, and we don't have to go back to the 1980s to understand economic loss. In the late 1990's and early 2000's, we lost 4,200 jobs as the timber industry crashed and salmon prices fell. However, we were resilient and between 2008 and 2014 the regional economy has seen strong economic growth, and we reached new population, employment and wage records as we moved past our economic downturn.

The following pages contain an in-depth analysis showing **what Southeast Alaskans plan to do to keep their businesses and communities economically stable.**

#1 Response: Reduce business costs *(private sector only)*

57 comments



The most frequent response was from business leaders who are preparing to reduce their business costs in order to be resilient through an economic downturn. Businesses are planning on cutting costs, reducing employees, delaying investments, reassessing operations, refocusing resources on core businesses functions, and increasing savings. The bold italic sentences below are individual survey comments.

Cut Costs

A quarter of the comments in this category reflected the need to cut costs. Comments included the following:

Tighten the belt - look for areas to cut. Think lean. Review every expense category. Reduce operating costs. Become more efficient. Repair vs. buy new.

Employee Reductions or Hiring Freeze

Another quarter planned to respond with staffing changes. Comments included the following:

We are preparing to drop all full-time employees to 32 hours per week, as well as lay off 20% of employees. Decrease staffing to minimum levels. Hire freeze. Hire part time only, no full time. May need to lay off employees.

Delay Investments

Related responses included the following: ***Will cut back on planned expansion. Limit capital improvements and expansion in my business for now. Delay spending. Put off all possible purchases.***

Reevaluate Business Operations

We are evaluating programs and implementing efficiencies. Streamlining processes. Re-evaluate business plan and growth goals. Minimizing delays and paperwork.

Strengthen Core Functions, Reduce Services

Comments in this category included: ***We are closing down operations that don't generate adequate revenue. Strengthening core departments. Spend less money on things that aren't core to the mission of my company. Keep pushing to keep customers happy.***

Financial Savings

Hunker down and build savings to survive looming recession. We are conserving financial resources in anticipation of additional cuts to funding. I assume my taxes will go up so I will plan to save money for that purpose.

Second Top Response: Increase economic development & planning

48 comments



Economic Planning and Analysis

Developing long term economic strategies was the top suggestion in this category, including the following: ***Don't panic, plan. Just because the State can not figure out how to plan, it does not prevent us from planning for the coming changes. This problem needs to be analyzed with a long-term view in mind. Step up the economic development support to the local organizations. Strategic planning to ensure sustainability. Support economic development initiatives locally, regionally and statewide. We need to focus on economic development. Work on Southeast Alaska economic plan.***

Collaborate

The need to work together received a similar level of responses. Examples of comments include:

Co-location with similar or compatible industry. Sharing resources with other entities. Greater collaboration and search for efficiencies. More cooperation for collaboration from organizations on programs. Work with local groups like Chamber and Southeast Conference to come up with ideas to work together. Work with other entities in town so projects will continue and costs are shared.

Support Local Businesses

Comments in this category include the following: ***Support local businesses whenever possible. Encourage private sector development while public sector is depressed. Invest in self-sufficient businesses. Support community efforts to grow business. We need to grow our economy by supporting local employers and businesses in our community!***

Other

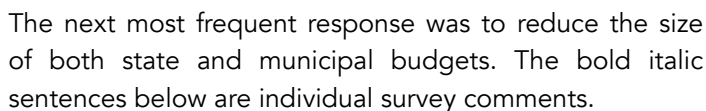
There were additional comments in the following areas:

- Develop new jobs
- Create new local products
- Reduce economic leakage
- Invest in workforce development

Work on plugging economic leakages with local products, workforce, etc. Create new jobs and businesses.

Each bold italic sentence above represents a comment submitted to the survey.

40 comments



A third of the comments in this category reflected the need to cut government budgets by public sector employees and elected officials, and the desire of others for smaller government. Comments included:

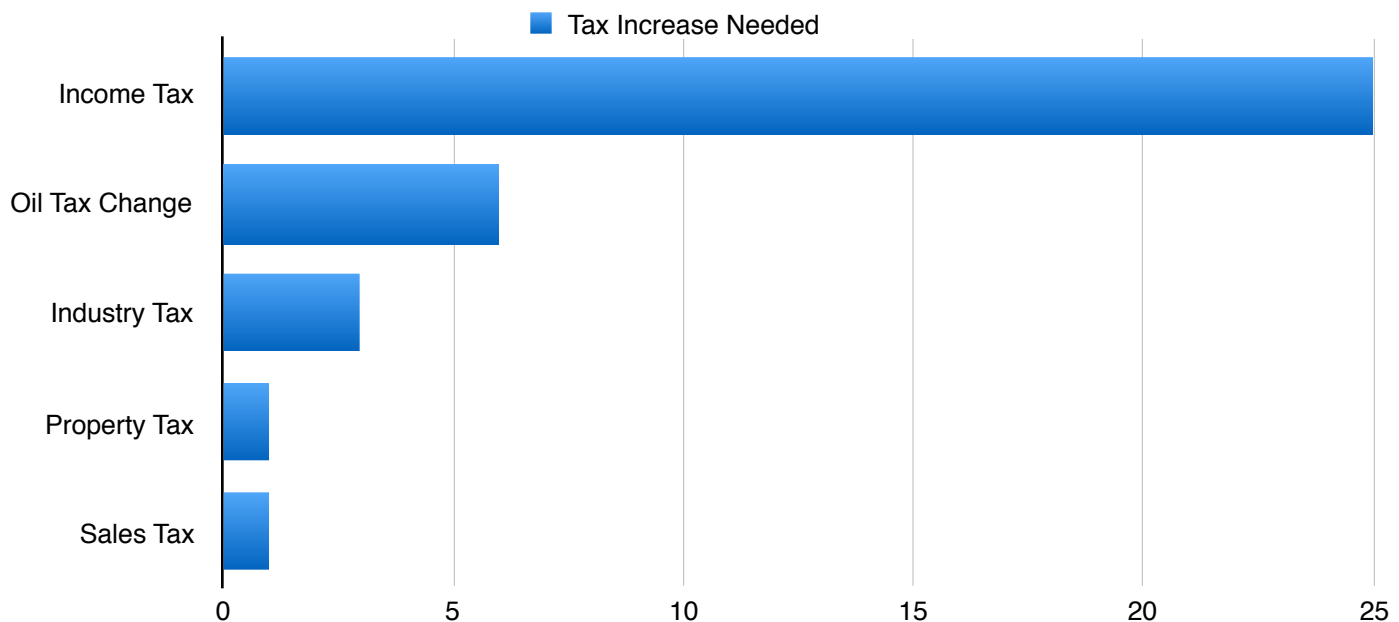
In addition to cutting the budget will be a reduction in government services:

Related responses included the following:

The remaining responses in this category fell into three key areas. Responses included the following: **The administration should consider reducing the full-time work schedule to 37.5 per week. Put a hold on new infrastructure projects that are not a priority.**

Fourth Top Response: Increase Taxes

36 comments



The fourth area of change that Southeast Conference members wanted changed in order to address the fiscal situation is an increase of taxes. Nearly 9% of all comments centered around taxes.

Income Tax

The tax-focused comments were almost entirely centered around the need to institute a statewide income tax. Comments included the following:

Urge all to support a statewide income tax. The state needs to generate revenue through taxation. Require income tax a priority in the state revenue equation and contingent upon utilizing any portion of the Alaska Permanent Fund. I believe the State needs to implement tax increases such as an income tax to generate sufficient revenue without cutting state services significantly. A personal income tax should be considered.

Oil Tax Change

A secondary tax -related response with fewer comments was in regard to changing the way that oil companies are taxed. These respondents wanted the tax method changed:

Increase oil company taxes and cut unnecessary government spending. Require oil and gas taxation concurrent with any taxes from Alaskan contribution to the state revenue equation and utilize the Alaska Permanent Fund. Review oil contracts. The state needs to responsibly manage its oil industry and stop giving companies huge tax breaks. Fairly tax the legacy oil industry but don't drive them out.

Industry Taxes

Several individuals advocated for increases of other industry taxes: ***Small increases to industry taxes - Alaska tax rates are among the lowest in U.S. Seek new revenue streams (taxes) with an emphasis on trying to generate revenue from outside the community.***

Other Taxes

With a single proponent each for instituting a statewide sales tax and a statewide property tax, these taxes appear to have minimal support.

The bold italic sentences below are individual survey comments.

5. Maintain Ferry Services

In the face of impending cuts, members wanted to reiterate that cutting ferry service would hurt the economy. ***Maintain AMHS with adequate service. Continue requesting adequate ferry service for our remote community. Must have good transportation for remote island communities. Find a sustainable future for the ferry system. Keep ferries operating. Must strengthen AMHS. Put AMHS on a two year budget cycle to get schedules and service stability and predictability. The Alaska Marine Highway System is critical to the entire Southeast economy.***

6. Increased Communication with Government Officials

One key to stabilizing the economy is increased communication with public officials. ***Support legislators as they make tough decisions on how to balance the budget. Provide cost-saving ideas about how the State could operate more efficiently and effectively to the legislature and administration. Inform legislators that we expect them to act in terms of developing a fiscal plan and we won't hold it against them during the upcoming election. Communicate more frequently with state representatives regarding my priorities for state funding. Attend/listen to local assembly meetings to follow issues and express preferences. Get involved with decision making to give your voice with ideas.***

7. Restructure PFD to meet fiscal needs

Commenters noted that a good fiscal strategy includes tapping the dividend fund for public purposes: ***Take funds from PFD. Support the Governor's fiscal plan. Restructure the PFD to pay for critical services, like education. Legislator need to look at all proposed plans to use the permanent fund earnings to bridge the fiscal gap. Inform legislators what we personally are willing to do to help improve Alaska's fiscal situation (e.g. cap the Permanent fund). Eliminate PFDs and redirect all PFD earnings to fund State government operations. I think that the PFD should be utilized to help us and then the amount that can be disbursed to individuals should be capped at \$1,000 a year. Limit Dividend to \$500.***

8. Diversify Economy

Work harder to diversify funding streams for programs rather than having organizations relying solely on state funding. State should look to revenue sources outside oil and gas. Seek to diversify revenue opportunities. Focus economic development efforts on non-governmental activities that diversify the local economy while providing the firm fiscal foundation the community needs to feel secure. Diversify the economy and improve community quality of life to attract and retain human capital. Our business is diversifying.

9. Make Region More Attractive

Improve overall and individual marketing. Increase visitor attendance and understanding of our unique offerings. Keep attracting outside investment to create jobs and build responsible projects. Offer incentives to attract new investment. Work to find ways to attract business. SE Alaska has mild winters and is a great place for families, but we need to attract more businesses.

10. Natural Resource Development

Strengthen resource development opportunities. Resource Development is a must. Natural resource growth should be encouraged to expand the tax base. Increase access to natural resources. Further utilize/develop natural resources surrounding us. Mining. Increase the supply of timber available to the industry.

11. Focus on Tourism

Grassroots efforts on behalf of Alaska Travel Industry Association to support Marketing Dollars at State level. I think they need to begin to market the Alaska Marine Highway like a cruise line. Work with other operators to create "packages" to bring in visitors. Increase visitor attendance and understanding of our unique offerings. Involve more young people in marketing efforts, attraction development, and visitor hospitality. Maintain strong cruise ship industry ties. Promote the town's recreation resources. Show the economic impacts of a healthy tourism industry. Watch head tax issues closely to make sure we do not see increase in tourism related taxes.

12. Invest in Education

Protect small schools or villages will fade away. Fight for education funding. Keep tax base stable but allow for max contribution for education. Maintain investments in education and universities at current levels. Provide funding for education cost and college loans. Support and grow UAS. At a minimum, the state needs to remain committed to educating its youth. The state needs to make larger investments in early education, K-12, and university programs to ensure a healthy, productive society. Share the importance of the matching state funds to Head Start.

13. Build Roads

Build the Juneau Access road and save the ferry system by putting the remaining ferry assets to use in lower Southeast. Build the road across Baranof to a ferry terminal closer to Juneau and build the road to connect Kake and Petersburg. Connect more communities via roads if possible. Move forward ASAP with road connection from existing State allocation, thus making transportation, freight, etc. more affordable and to provide more options. We need a solution for affordable shipping which includes the Juneau Access road to be built. State needs to build the road to Skagway, it will provide long-term cost savings, creates high paying construction jobs and tells the world we are open for business.

14. Increase Non-Federal Land Holdings

Move more land to private ownership. Turn over more land in Southeast to the State so that we can manage a local timber industry and have value-added jobs right here supporting local Alaskans. Open land for development. Demand that any Tongass National Forest land within city limits be transferred to the city and or State of Alaska. Acquire more land in private ownership. Privatize land.

15. Other

Other key concepts to increase resiliency include the following:

- Increase subsistence
- Reduce federal overreach
- Prioritize community needs
- Reduce energy costs
- Increase internet connectivity
- Leave Alaska
- Expand into markets outside of Alaska
- Personal sacrifice

Rely more heavily on subsistence. Less federal policy. Encourage more effective prioritization of needs in the community to reflect the reduction of funding. Affordable energy is essential to allow growth. Build information and a digital pipeline. Continue to expand retail sales outside of Alaska. Personally, I am interested in the work and want to see the city succeed, so I remain in my position with minimal pay and no benefits.

The bold italic sentences above are individual survey comments.

Participant Overview

The survey was taken by more than 200 Southeast Alaska leaders. Just under half of respondents (43%) own or operate a business in the private sector. Respondents from 23 Southeast Alaska communities, representing 24 different sectors, participated in the exercise.

Which best describes you?

Answer Options	Response Percent
Owner or Senior Executive	33%
Self-Employed Southeast Alaskan	10%
Non Elected Government Employee	22%
Private Sector Employee	16%
Elected Official	10%
Other	9%

In which Southeast Alaska community are you located?

Answer Options	Response Percent
Juneau	49%
Prince of Wales	11%
Ketchikan	10%
Sitka	6%
Petersburg/Kupreanof	6%
Wrangell	5%
Haines	5%
Hoonah	2%
Kake	2%
Gustavus	1%
Metlakatla	1%
Angoon	1%
Pelican	1%
Skagway	1%
Multiple communities/other	2%

Which best describes the primary industry focus of your company?

Answer Options	Response Percent
Local government	15%
State government	11%
Tourism / Recreation / Hospitality / Accommodations	9%
Seafood / Fishing / Maritime	8%
Professional & Business Services / Consultant	6%
Tribal Government	6%
Other Non profit	6%
Retail / Wholesale Trade	5%
Education / Social Services	5%
Timber / Forest products	5%
Transportation / Utilities	4%
Construction / Architecture / Engineering	4%
Food / Beverage Services	4%
Federal government	4%
Insurance / Real Estate / Legal	2%
Finance / Accounting	2%
Arts, Entertainment	1%
Mining	1%
Energy	1%
Other	5%