

SOUTHEAST ALASKA by the Numbers 2017



SOUTHEAST
CONFERENCE

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SEPTEMBER 2017

CHANGES IN THE REGION 2014 TO 2016

SOUTHEAST ALASKA'S ECONOMY



REGIONAL **POPULATION**
DECREASED BY **648**
PEOPLE TO 73,812
-1%



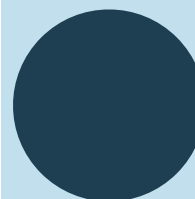
LABOR FORCE
DECREASED BY **434**
JOBS TO 45,260 JOBS
-1%



STATE GOVERNMENT
JOBS DECREASED BY
565 JOBS TO 4,940
-10%



PASSENGER ARRIVALS
FROM OUTSIDE THE
REGION INCREASED BY
110,425 PEOPLE +8%



TOTAL POUNDS OF
SEAFOOD LANDED
IN THE REGION
DECREASED BY **77**
MILLION POUNDS A
LOSS OF **-26%**

Last year was a tough year for the Southeast Alaska economy. Jobs and workforce earnings were down for the first time since 2007. Population dropped for the second year in a row, the first losses in a decade as well. The reason for our economic distress is clear. Dropping oil prices combined with falling oil production have drastically reduced the state's share of oil earnings, which previously provided up to 90 percent of the state's unrestricted revenues. Despite diminished returns, no state fiscal solution has been enacted. Deep cuts have been made to jobs and spending levels, but not enough to balance the budget, and the state made up the difference using savings accounts, which are rapidly being depleted. Southeast Alaska is uniquely dependent on state government, which directly provides 14% of all wages in the region, along with being a key client to many private sector businesses. State spending is also a critical part of community budgets. In the last two and a half years, the region has lost 750 state jobs, a 14% decrease. The negative economic impacts are projected to intensify once the savings are gone. In other words, we are not nearing the end of this economic disruption, we are merely at the beginning of it.

An embattled state government also directly impedes the sectors it supports, such as the construction industry, which relies on the state to fund large-scale infrastructure projects for construction workers to build. With fewer

projects in the state capital budget, construction, architecture, and engineering jobs are all declining.

Unfortunately, it is not only state government that is struggling. Last year was the worst year for our seafood sector in over a decade. The visitor industry surpassed seafood as being the top private sector industry in terms of both jobs and wages for the first time, ever. In fact, tourism is booming, and 2017 will be a record year for cruise and air passengers, along with jobs and spending. Alaska's popularity is growing, and Southeast Alaska is the most visited region of the state. The visitor sector grew by five percent last year, and is slated to grow another six percent in 2018. However, with the lowest wages of any sector in the region (39% lower than the average annual regional wage), it is rarely the primary source of household income. Other sectors that grew in 2016 included mining and healthcare, albeit with much smaller gains.

Despite so many falling economic indicators, Southeast Alaska business leaders are generally optimistic. While 99% say they are concerned about the region overall, two-thirds say they expect their own business or industry to remain stable or to improve in the upcoming year, and they have invested accordingly. With so many volatile components of our economy at play—such as oil and metal prices, seafood harvest levels, and federal decision making—many future outcomes are possible.

A Message from Southeast Conference

Incoming President Jan Hill



Southeast Alaska by the Numbers is our regional report card. The following pages outline how the economy of Southeast Alaska has performed over the past year. It shows the trends and which areas need the greatest attention.

As a lifelong Southeast Alaska resident and three-term mayor, I have had the privilege of working with business, municipal and Tribal leaders throughout the region. The collaborative work through our committees

and partnering in the region and state has led to unprecedented achievements over the years. Now we are faced with unprecedented challenges. And now is not the time to withdraw into our individual boundaries, more than ever before, this is the time for us to come together and work our committees with focus and resolve.

We have many things to be proud of and much to work to improve. There are many uncertainties that cause concern for our communities. Political and fiscal instability is one of the greatest threats at every level of government, local regional and federal. But the one constant in the region since 1958 is Southeast Conference and the hard-working members that gather throughout the year to meet the challenges of the day.

Haines has been passionate about the ferry system since before statehood and is very proud to have been the community that was instrumental in starting what was to become the Alaska Marine Highway System. The ferry system is a critical part of our local and regional economic and social fabric.

Please join us throughout the year as our committees work to strengthen and support our industries from transportation, energy, mining, maritime, seafood, tourism, mining, timber, and economic development. There is much at stake but together we can achieve the Southeast Conference. Please sign up for the committees that are of primary interest to you. Thank you for doing your part to make Southeast Conference a success.

Executive Director Robert Venables



Navigating the Southeast economy. That's been the goal of Southeast Conference since 1958 when our first board gathered and advocated for the creation of the Alaska Marine Highway System and began to come together and work to promote strong economies and healthy communities in the region. Southeast Alaska has seen significant blows to the economy. Those impacts have forced major changes at

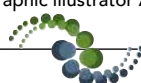
Southeast Conference, caused economic concerns to communities in the region and has slowed investment in the region. But Southeast Alaska is resilient. With our collective efforts to partner and plan strategically, we have already laid the foundation to support and strengthen the capacities that can lead to an economic rebound as part of our regional planning efforts. Our annual meetings allow our regional stakeholders an opportunity to gather information, network, and collaborate toward success. Our members and partners are the strength of Southeast Conference – and the reason for our successes, past, present and future.

It is fitting to meet this year in Haines, the birthplace of the Alaska Marine Highway System. Southeast Conference gathered in 1958 to advocate for its formation, and now our statewide stakeholders gather here to reform AMHS. The AMHS Reform project (www.AMHSreform.com) is a historic opportunity that allows Alaskans the opportunity to articulate their vision and need for marine transportation and work together to propose significant changes to make AMHS a more sustainable entity that integrates as a viable component of the intermodal state transportation system. We are particularly appreciative to the Walker/Mallott Administration for the opportunity to lead this statewide initiative.

From transportation, energy, mining, maritime, seafood, tourism, healthcare, timber and the arts, and all other facets of our economy, we work to make sure that the interests of Southeast communities are front and center on the regional, state, and national level. This work will continue throughout the year.

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 59 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 Haines by Judi Rice Photography. Cover icons created by graphic illustrator Averyl Veliz.



TWO YEARS OF CHANGE: 2014 to 2016

Table tracks key Southeast indicators over the past 2 years, along with associated changes.

DEMOGRAPHICS	2014	2016	% CHANGE 2014-2016	CHANGE 2014-2016
Population ¹	74,460	73,812	-1%	-648
Ages 65 and older ²	9,243	10,144	10%	901
Under Age Five ²	4,622	4,368	-5%	-254
Twenty somethings ²	9,398	8,866	-6%	-532
K-12 School District Enrollment ³	11,804	11,571	-2%	-233
GENERAL ECONOMIC CONDITIONS				
Total Labor Force (jobs, includes self-employed & USCG) ^{1,5,6}	45,694	45,260	-1%	-434
Total Job Earnings ^{1,5,6}	\$2.174 billion	\$2,178 billion	0.2%	4,067,261
Total Private Sector Payroll ^{1,6}	\$1.408 billion	\$1.407 billion	-0.1%	-1,140,735
Average Annual Wage ¹	\$47,593	\$48,673	2.3%	1,080
Annual Unemployment Rate ¹	7.10%	6.10%	-1%	-1%
TOP ECONOMIC SECTORS	2014	2016	% CHANGE	CHANGE
GOVERNMENT	PUBLIC SECTOR: 35% OF ALL EMPLOYMENT EARNINGS			
Total Government Employment ^{1,5}	13,602	13,052	-4%	-550
Federal Employment ^{1,5} (8% of all employment earnings)	2,110	2,108	-0.1%	-2
State Employment ¹ (14% of all job earnings)	5,504	4,939	-10%	-565
City and Tribal Employment ¹ (14% of all job earnings)	5,988	6,005	0.3%	17
Total Government Payroll (includes USCG) ^{1,5}	\$765.8 million	\$771.0 million	1%	\$5.2 million
Total State of Alaska Payroll	\$311.3 million	\$301.6 million	-3%	-\$9.7 million
VISITOR INDUSTRY	KEY INDUSTRY: 11% OF ALL EMPLOYMENT EARNINGS			
Total Visitor Industry Employment ^{1,6}	6,923	7,752	12%	829
Total Visitor Industry Wages/Earnings ^{1,6}	\$188.5 million	\$229.4 million	22%	\$40.9 million
Total Southeast Alaska Passenger Arrivals	1,362,737	1,473,162	8%	110,425
Cruise Passengers ¹⁰	967,500	1,025,900	6%	58,400
Total Air Passenger Arrivals from Outside SE ¹¹	372,197	425,939	14%	53,742
Total AMHS Passengers from Outside SE ¹²	23,040	21,323	-7%	-1,717
COMMERCIAL FISHING & SEAFOOD INDUSTRY	KEY INDUSTRY: 10% OF ALL EMPLOYMENT EARNINGS			
Total Seafood Employment (includes fishermen) ^{1,6}	4,372	3,854	-12%	-518
Total Seafood Employment Earnings ^{1,6}	\$259.0 million	\$209.7 million	-19%	-\$49.3 million
Pounds of Seafood Processed ⁷	232.9 million	168.4 million	-28%	-64.5 million
Pounds Landed (commercial seafood pounds by SE residents) ⁸	300.9 million	223.4 million	-26%	-77.5 million
Estimated Gross Earnings (ex-vessel value of pounds landed) ⁸	\$275.7 million	\$221.0 million	-20%	-\$54.7 million
Shared Fish Taxes ¹³	\$5.8 million	\$2.7 million	-53%	-\$3.1 million
HEALTH CARE INDUSTRY (PUBLIC & PRIVATE HEALTH)	KEY INDUSTRY: 9% OF ALL EMPLOYMENT EARNINGS			
Health Care Employment ^{1,6}	3,323	3,344	1%	21
Health Care Wages ^{1,6}	\$174.5 million	\$189.3 million	8%	\$14.8 million
MARITIME ECONOMY (Includes employment from all industries)	TOP SECTOR: 27% OF PRIVATE SECTOR EMPLOYMENT EARNINGS			
Private Maritime plus USCG Employment ^{1,5,6}	6,768	6,386	-6%	-382
Private Maritime plus USCG Wages ^{1,5,6}	\$395.5 million	\$354.3 million	-10%	-\$41.2 million
OTHER SELECTED STATISTICS	2014	2016	% CHANGE	CHANGE
Construction Employment ^{1,6} (6% all employment earnings)	2,168	2,033	-6%	-135
Mining Employment ¹ (4% of all employment earnings)	783	798	2%	15
Price of Gold ¹⁵	\$1,266	\$1,251	-1%	-15
Cost of Living: Consumer Price Index ¹	215.805	217.83	1%	2
Housing Starts: Housing Permitted /Completed ^{4,1}	321	369	15%	48
Avg. Daily Volume ANS Oil Production (mbbls/day) ¹⁴	513,318	517,191	1%	3,873
Annual Avg. Domestic Crude WTI Oil Prices (in \$/Barrel) ¹⁴	\$52.08	\$43.34	-17%	-\$9

Sources: ¹Alaska Department of Labor (ADOL); ²ADOL Southeast Alaska Population by Age, 2014 to 2016; ³Alaska Department of Education and Early Development; ⁴Based on the quarterly Alaska Housing Unit Survey, a survey of local governments and housing agencies; ⁵US Coast Guard; ⁶2015 US Census Nonemployer (self-employment) Statistics; ⁷ADF&G Seafood Production of Shorebased Plants in Southeast Alaska, 2004 and 2016; ⁸ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information, 2014-2016; ⁹McDowell Group & Cruise Line Agencies of Alaska; ¹⁰US Bureau of Transportation Statistics (BTS); ¹¹US Bureau of Transportation Statistics (BTS); ¹²Alaska Marine Highway System data for 2015; ¹³Shared Taxes and Fees Annual Report FY16, ADOR; ¹⁴Alaska Department of Revenue Revenue Sources Book; ¹⁵Kitco Metals Inc.

The Whole Southeast Alaska Economy 2016

In 2016, Southeast Alaska lost 885 year round equivalent jobs, along with \$29 million in workforce earnings over 2015. Approximately a quarter (26.1%) of regional workers are non-residents.

Annual Average Jobs

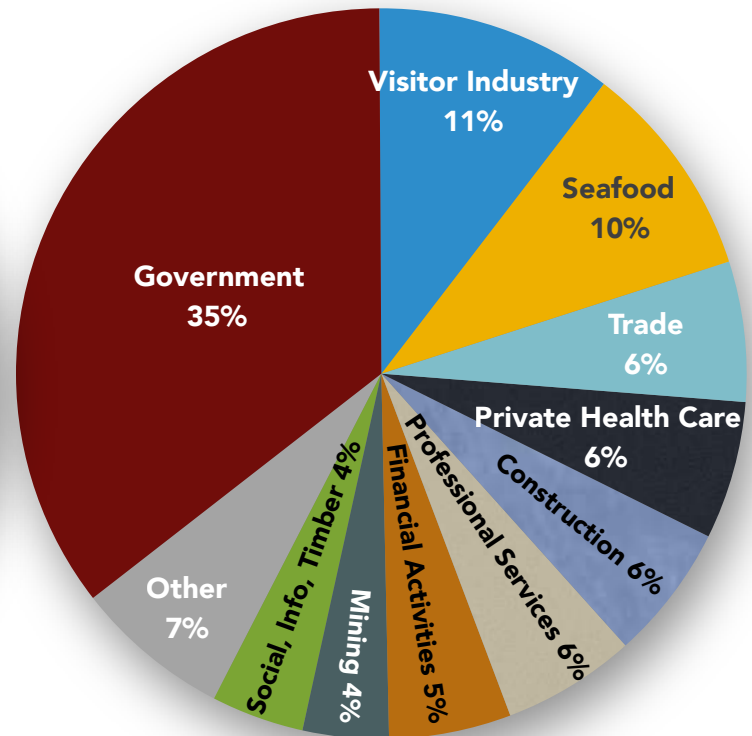
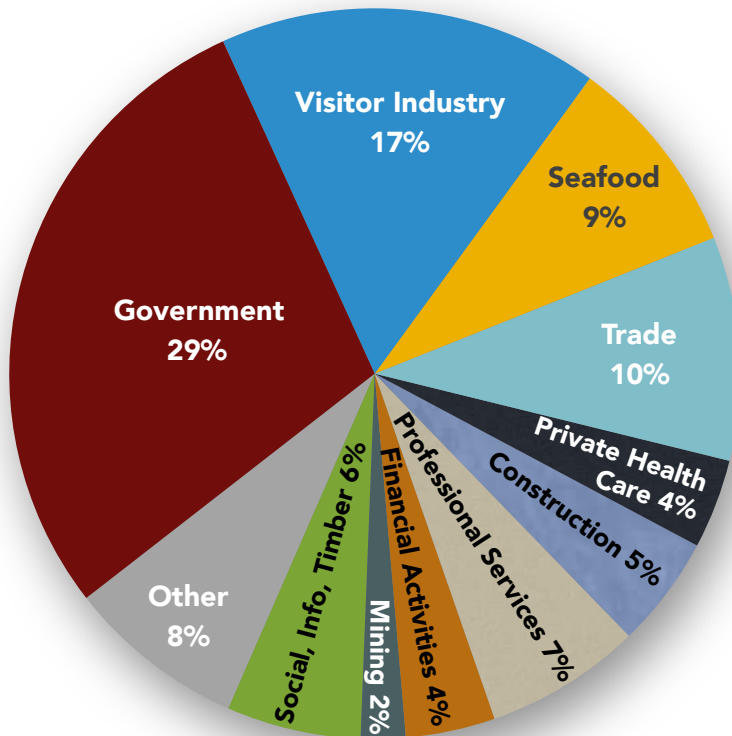
44,763 Jobs

DOWN 885 JOBS IN 2016 -2%

Employment Related Earnings

\$2.2 Billion Workforce Earnings

DOWN \$29 MILLION -1%

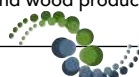


2016 Southeast Alaska Employment Earnings

	EMPLOYMENT RELATED EARNINGS			EMPLOYMENT NUMBERS		
	Wages (2016)	Self-Employment Earnings (2015)	Total Earnings	Annual Average Employment (2016)	Self-Employed (2015)	Total Employment
Government (includes Coast Guard)	\$716,921,060	\$54,109,413*	\$771,030,473	12,417	635*	13,052
Seafood Industry	\$61,211,763	\$148,481,000	\$209,692,763	1,573	2,281	3,854
Visitor Industry	\$197,410,968	\$32,001,000	\$229,411,968	6,875	877	7,752
Trade: Retail and Wholesale	\$111,004,533	\$24,653,000	\$135,657,533	3,766	584	4,350
Construction Industry	\$98,568,394	\$33,235,000	\$131,803,394	1,461	572	2,033
Health Care Industry (private only)	\$119,011,614	\$13,720,000	\$132,731,614	2,197	251	2,448
Professional and Business Services	\$83,148,173	\$44,736,000	\$127,884,173	1,668	1,304	2,972
Financial Activities	\$50,195,660	\$67,927,000	\$118,122,660	956	732	1,688
Mining Industry	\$82,759,540	\$92,000	\$82,851,540	791	7	798
Warehousing, Utilities, & Non-Visitor Transport	\$48,102,126	\$11,503,000	\$59,605,126	852	154	1,006
Social Services	\$45,285,800	\$4,045,000	\$49,330,800	1,486	217	1,703
Information (publishing, broadcasting, telecomm.)	\$22,313,713	\$1,973,000	\$24,286,713	526	58	584
Timber Industry	\$14,474,886	\$1,554,000	\$16,028,886	268	45	313
Other	\$63,090,981	\$27,231,000	\$90,321,981	1,732	975	2,707
Total	\$1,713,499,211	\$465,260,413	\$2,178,759,624	36,568	8,692	45,260

Sources: Alaska Department of Labor 2016 Employment & Wage data; 2015 (latest available) US Census Nonemployer (self-employment) Statistics; 2016 US Coast Guard employment & wage data.*These cells in Government refer to 2016 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).



THE VISITOR INDUSTRY



Visitor Industry 7,752 Annual Avg. Jobs

UP 350 JOBS IN 2016 +5%

In 2016 the visitor industry took a giant step forward, replacing the seafood industry as the most important private sector industry, both in jobs (which it has been for a while) but also in total workforce earnings (see chart on page 4). The visitor industry accounted for **19% of regional employment** (7,752 annual average jobs) and nearly a quarter (24%) of all private sector employment. Since 2010, visitor industry employment has grown by 32%, with 1,900 new jobs. Those working in the visitor industry earned \$229 million in 2016—or 11 percent of all regional employment income.

In 2016, 1.5 million air, ferry, and cruise passengers came to Southeast Alaska from outside the region, a 3.7% increase over 2015. Airline passenger traffic was up 5%, and cruise passenger traffic to the region increased by 3%. Most visitors to the region (70%) come by cruise ship.

KEY ECONOMIC DRIVER

Southeast Alaska is the most visited part of the state, with two-thirds of all tourists coming to the region. One-third of all Alaska visitor spending occurs in Southeast, where visitors spent an estimated \$657 million in 2016 (excluding transportation to and from Alaska).

INCREASED JET SERVICE

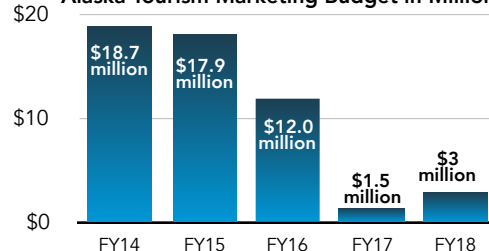
Southeast Alaska saw a record-breaking number of airline passengers in 2016 for the second year in a row. A total of 425,939 passengers arrived from outside the region, and 2017 is likely to break records as well. As of July 2017, airline passenger arrivals were up 1.4% over the first half of 2016. Delta Airlines began summer flight services between Juneau and Seattle in 2014, joining Alaska Airlines as a service provider for the first time since 1996, accounting for some of this increase.

CRUISE SHIP TRAFFIC

Cruise passengers are also having a record year. In 2017, a projected 1,055,000 cruise ship passengers will visit the region, making 498 voyages on 33 cruise ships. Southeast Alaska is continuing to see larger ships replacing smaller vessels. To handle this change Juneau has built two new panamax docks that opened in 2016 and 2017, meaning Juneau has 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 is expected to receive 4.2% of all global cruise ship passengers in 2017.

The Alaska Tourism Marketing budget by the state was doubled in FY18, but still lags behind previous years and other states.

Alaska Tourism Marketing Budget in Millions



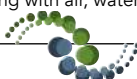
VISITOR OUTLOOK

The visitor industry has the strongest outlook of all Southeast Alaska industries, and 2017 will be the best year ever for this sector. As the national economy grows stronger, Alaska's popularity grows, and perceived security risks for international travel destinations increase, Southeast Alaska becomes even more attractive to visitors.

Cruise passenger arrivals will hit a new record in 2017—with a projected 25,000 more passengers than the current record set in 2008. In 2018, analysts are projecting an additional six percent increase in Southeast Alaska cruise passengers. Princess Cruises ship is adding a 7th ship, while Norwegian Cruises will add brand new Norwegian Bliss, the first cruise ship custom designed for Alaska waters. Windstar Cruises will begin service to the region in 2018, with Viking, Cunard and the upscale Azamara sending ships for the first time in 2019.

The number of cruise passengers coming to the region is expected to continue to rise as larger, higher capacity vessels 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 will continue to improve.

Sources: Combination of ADOL 2016 Employment and Wage data and 2015 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.



SOUTHEAST MARITIME: 6,386 Jobs

Private and US Coast Guard Maritime Employment & Workforce Earnings

Fishing & Seafood

Processing

Jobs: 3,854

Wages: \$209.7 M

Change in jobs

2014-16: -19%

Marine Tourism

Jobs: 1,034

Wages: \$34.4 M

Change in jobs

2014-16: +13%

US Coast Guard

Jobs: 782 (Active
Duty and Civilian)

Wages: \$65.5 M

Change in jobs

2014-16: +2%

Marine Transportation (Excluding Tourism)

Jobs: 370

Wages: \$25.6M

Change in jobs

2014-16: -7%



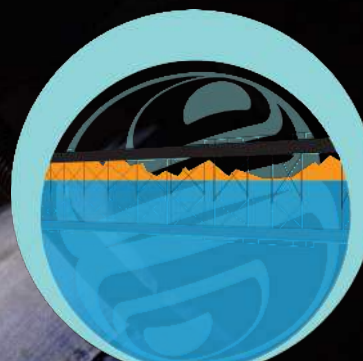
Ship Building, Repair, Marinas

Jobs: 309

Wages: \$15.2 M

Change in jobs

2014-16: +39%



Marine-Related Construction

Jobs: 37

Wages: \$3.9 M

Change in jobs

2014-16: -45%

24%

Maritime as a % of
all private sector
earnings in SE

Southeast Private & USCG Maritime Economy 2014-2016

Total Jobs 2016: 6,386

Total Wages 2016: \$354 Million

Change in jobs since 2014: -354

Change in jobs by percent: -5%

Change in earnings since 2014: -\$41 Million

Change in earnings by percent: -10%

Maritime icons created by graphic illustrator Averyl Veliz. Photo by Vigor Ketchikan.

For methodology, notes, and sources, see [www.raincoastdata.com/sites/default/files/Maritime by the Numbers.pdf](http://www.raincoastdata.com/sites/default/files/Maritime%20by%20the%20Numbers.pdf)

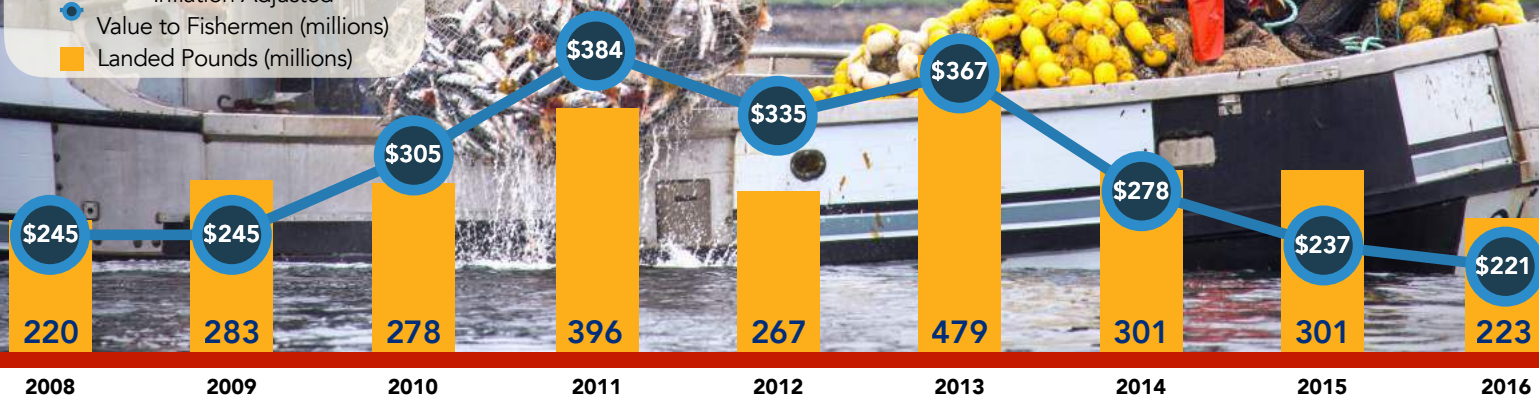
THE SEAFOOD INDUSTRY

VALUE & POUNDS OF SEAFOOD LANDED SOUTHEAST ALASKA 2008 TO 2016

Inflation Adjusted

Value to Fishermen (millions)

Landed Pounds (millions)



Southeast Seafood Industry 3,854 Jobs

DOWN 500 JOBS -12%

DOWN \$45 MILLION IN EARNINGS IN 2016 -18%

By most measures, 2016 was the worst fishing season in the region in more than a decade. The Southeast Alaska seafood harvest in 2016 was 223 million pounds with a total ex-vessel value of \$221 million—a 40% decline in value and 53% decline in pounds landed from 2013—and 27% below the 10-year average.

THE SEAFOOD INDUSTRY IS A KEY ECONOMIC DRIVER

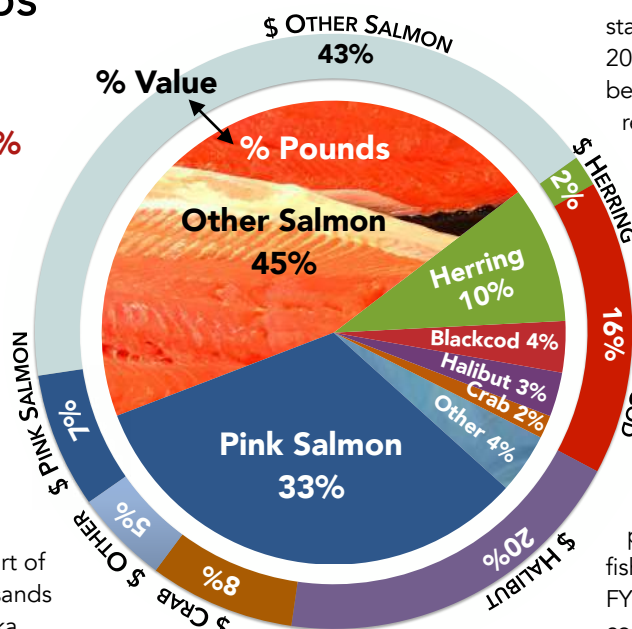
Seafood harvests have been a critical part of the Southeast Alaska economy for thousands of years, and it was over Southeast Alaska salmon that statehood itself was fought. The regional seafood industry (including commercial fishermen and seafood processors) generated 3,854 annual regional jobs in 2016, making up **10% of all regional employment earnings** and **9% of all jobs**. Those working in our region's seafood industry earned \$45 million fewer dollars than in 2015. Nonresident commercial fishermen and crew members are excluded from these figures.

In 2016, the five salmon species represented 78% of the overall regional seafood catch in

SEAFOOD LANDED IN SE ALASKA BY SPECIES, 2016

Outer ring = % of harvest by dollar value: \$221 million

Inner pie = % of harvest by pounds landed: 223 million pounds



terms of the volume—but only half of total ex-vessel value (\$111 million). Halibut and blackcod—while just seven percent of the total pounds landed—accounted for more than one-third of the total catch value in 2016. (See double pie chart above).

The majority of the statewide catch of the chinook, coho, chum, shrimp, dunguness crab, and the dive fisheries occurs in Southeast Alaska; and Southeast Alaska generally accounts for more than three-quarters of all Alaska Chinook caught in the

state. However Southeast Alaska's 2017 king salmon season has been the worst since 1975 resulting in an emergency order to stop both commercial and sports fishing of kings.

SEAFOOD PROCESSING

In 2016, shore-based seafood facilities in Southeast Alaska processed 168 million pounds of seafood, with a wholesale value of \$433 million, a 30% decline in seafood pounds processed over 2015. State-shared fisheries taxes for processing activity in FY16 generated \$2.7 million for regional communities, a 53% drop from FY2014.

SEAFOOD INDUSTRY OUTLOOK

The preseason forecast for 2017 predicted 51 million salmon. As of August 2017, 42 million had been captured. King and sockeye levels were far below expectations, while coho levels were up. Prices were up in 2017 including chums, which were garnering up to 85 cents a pound, compared to just 60 cents on average last year, due to demand for roe. However, uncertainty regarding commercial fisheries budget cuts, along with global advances in salmon farming, threaten the industry.

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 price source Laine Welch. **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 Credits:** Top: FV Obsession taken near Hoonah by Debbie Douglass. Right: Helen Decker on the MV McCrea near Wrangell by Gig Decker.



Southeast Healthcare Industry 3,344 Jobs

UP 45 JOBS IN 2016 +1.4%

When both private and local hospital healthcare services are taken into account, Southeast Alaska's 3,344 healthcare workers earned 9% (\$182 million) of all regional wages in 2016. Regional healthcare employment grew for the first time in five years last year. Healthcare needs in the region have been increasing due to an aging populace. Regional providers are experiencing increasing patient volumes, and healthcare is one of the fastest growing sectors of the state; but regionally growth has stalled.

There appear to be several reasons for this. The healthcare sector faces uncertainty due to the state's continued budget shortfall and the debate over healthcare on a national level. Regional medical institutions have been conservative in replacing departing staff as they wait to see how the state will resolve its budget distress, along with monitoring Affordable Care Act replacement efforts. 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 medical care becomes more common. Finally, 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

Early employment numbers for 2017 show job gains; and the forecast for this industry is for slow growth in 2017 and 2018 as demand increases. However, the pressures that have limited growth will continue to hinder the healthcare industry.



Sources: ADOL 2016 Employment and Wage data; Kitco Metals Inc; Coeur Mining Inc. 2016 Annual Report; Hecla Mining Company 2016 Annual Report. Photo credits: Peter Metcalfe and Hecla Greens Creek Mine.

Southeast Mining Industry 798 Jobs

UP 3 JOBS IN 2016



In 2016, there were 798 annual average mining jobs in Southeast Alaska, with a payroll of \$83 million. The two large mines operating in the region account for nearly all mining employment. In August 2017 Hecla Greens Creek employed 423 full-time permanent employees, while Kensington had a staff of 368. With an average annual wage of \$104,000, 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, while the Coeur owned Kensington is exclusively a gold mine. At Hecla Greens Creek silver production was up by 9% to 9.3 million ounces in 2016. This increase was driven by higher grade and an increase in recovery. The mine also produces zinc, gold, and lead. Production at Kensington was similar to last year, with 124,331 ounces of gold produced in 2016.

After several years of downward trends, metal prices are rising, most notably for zinc, which is at its highest value in more than a decade following supply cuts and continued strong demand out of China. Mike Satre of Greens Creek notes, "The latest zinc increases are encouraging. However, metals prices are very volatile and it is too soon to tell if this trend is indicative of any fundamental long term changes in the market." Regionally, mineral exploration has remained dormant, with the exception of Constantine's copper-zinc-silver-gold Palmer Project near Haines, which is in the exploration stage.

The mining sector is expected to grow in 2017 and 2018.





Southeast Timber Industry 315 Jobs

DOWN 8 JOBS IN 2016 -2%

Regional timber jobs were down again in 2016 by 2%. This comes on top of significant recent job losses. In the past five years, employment in this industry has been reduced by 10%. In 1991, there were 3,543 year-round timber jobs in the region, peaking in that year with 4,200 timber workers. In 2016 dollars, those job losses represent \$258 million in annual direct wages, a reduction that represents more lost wages than all the workers in the seafood or visitor industry earned last year. The number of board feet harvested annually has fallen by 96% from peak levels.

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 2016.

TIMBER OUTLOOK

Timber industry employment will continue to decline into 2017 and beyond for the following reasons:

- The Forest Service's pending Tongass Transition Plan to substitute old growth with young growth will reduce, and then terminate, access to old-growth timber before young growth timber becomes economic;
- 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 mills; and
- The poor outlook for future economic timber is a disincentive for continued participation in the Southeast timber industry.



Southeast Construction Industry 2,030 Jobs

DOWN 90 JOBS IN 2016 -4%

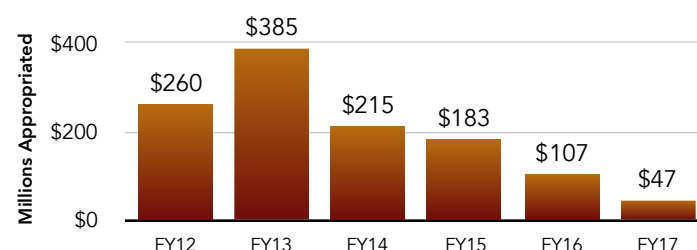
For the third year in a row construction employment is down. Jobs fell by 90 last year to 2,030, a combined loss of 240 jobs over three year. Early employment data from 2016 indicates that construction related employment will drop another 50 jobs in 2017. Construction workers in the region earned \$132 million in 2016—or 6% of all Southeast Alaska employment earnings.

CONSTRUCTION OUTLOOK

High-profile publicly-funded projects created a construction boom. Unfortunately, the contraction of the State capital budget and decreased federal spending meant that future projects were no longer being added to the lists of planned activity. Large-scale endeavors are unable to obtain funding, construction projects will be put on hold, and employment levels will continue to drop. Legislative capital appropriations in the region dropped 88% from \$385 million in FY13 to just \$47 million in the FY17 budget. In FY18, just \$8.7 million has been directly appropriated to Southeast in addition to DOT Public Facilities funding that can no longer be broken out in a way that adequately compares to previous years.



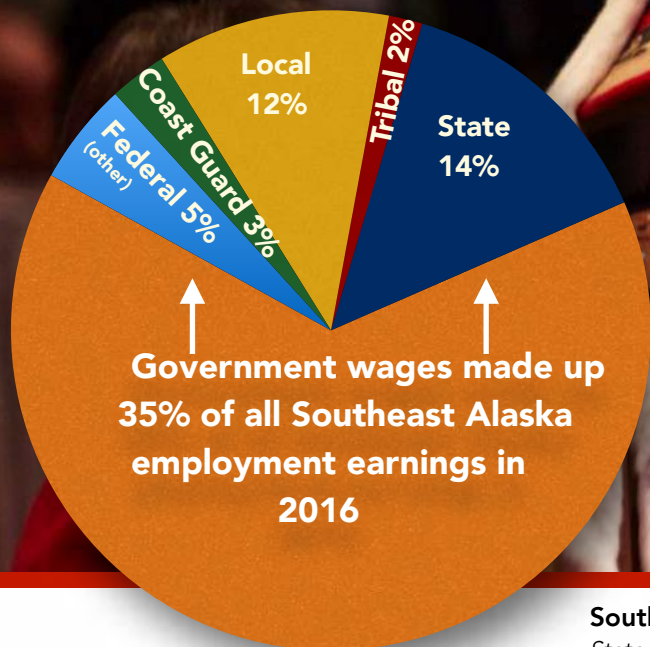
State Budget Capital Appropriations in Southeast Alaska



On a positive note, home construction was up 87% from the year before, with 369 new housing units permitted or completed in 2016, mostly due to an increase in multi-family unit construction in Juneau.

Sources: Combination of Alaska Department of Labor 2016 Employment and Wage data and 2015 US Census Nonemployer (self-employment) Statistics; State of Alaska Capital Budget FY12-17. **Photography credit:** Peter Metcalfe.

SOUTHEAST ALASKA GOVERNMENT



Local and Tribal 6,000 Jobs
State 4,940 Jobs
Federal 2,110 Jobs

- 782 Coast Guard
- 1,328 Other Federal

Government 13,050 Jobs

DOWN 450 JOBS IN 2016 -3%

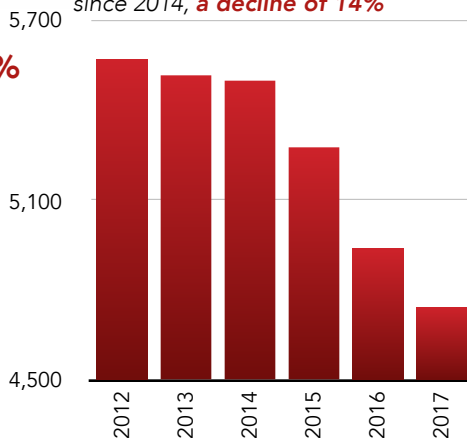
Government wages made up 35% of all regional employment earnings (\$771 million) and 29% of the region's jobs (13,050) in 2016, but this sector is on the decline, especially at the state government level.

STATE GOVERNMENT LOSSES

The biggest economic story of the year in the region is the decline in state government employment and spending. In Southeast Alaska, 14% of all direct wages come from the State. From 2014 through July 2017, more than 750 State of Alaska jobs were lost, along with associated annual wages of \$46 million. This is a loss of 14% of all regional state jobs during that period. 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 creating a

Southeast State Jobs

State jobs in the region are down 200 in 2017 so far, for a total of 750 job lost since 2014, **a decline of 14%**



significant downward drag on the regional economy. State spending has nearly been cut in half over the last four years, but despite significant cuts the state still faces a \$2.5 billion budget gap this year. The state has drawn \$11.3 billion from state savings over the past four years. As these accounts are depleted, reductions will intensify, and fewer options for remediation remain. Public services across the region are being cut or paired back (such as the closure of public health centers in Wrangell and Haines). Reduced state spending also has a direct negative impact on the private sector since many local businesses provide the majority of their services to the public sector. Reduced government employment will therefore also decrease demand for goods and services across the region.

Moreover, because Alaska has not adopted a fiscal plan, its bond rating has been downgraded. Alaskans continue to receive an annual dividend from the state's \$60 billion Permanent Fund account.

FEDERAL GOVERNMENT

Federal government employment losses are compounding state job cuts. 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 decline also means fewer projects and programs that support the region.

LOCAL GOVERNMENT

Communities across the region are struggling financially, and relying on savings to cover unexpected shortfalls stemming from state budget cuts that have been passed onto municipalities. Despite these challenges, local government employment levels have remained flat, and total municipal and tribal wages were equivalent to the earnings of all state workers in 2016.

GOVERNMENT OUTLOOK

Early job reports from 2017 are grim. Federal employment is predicted to decline by 2%, while State employment is expected to fall by another 4%. Since no legislative fiscal solution has been put in place and our savings are all but depleted, the negative impacts of the state fiscal crisis on our region will continue to intensify moving forward.

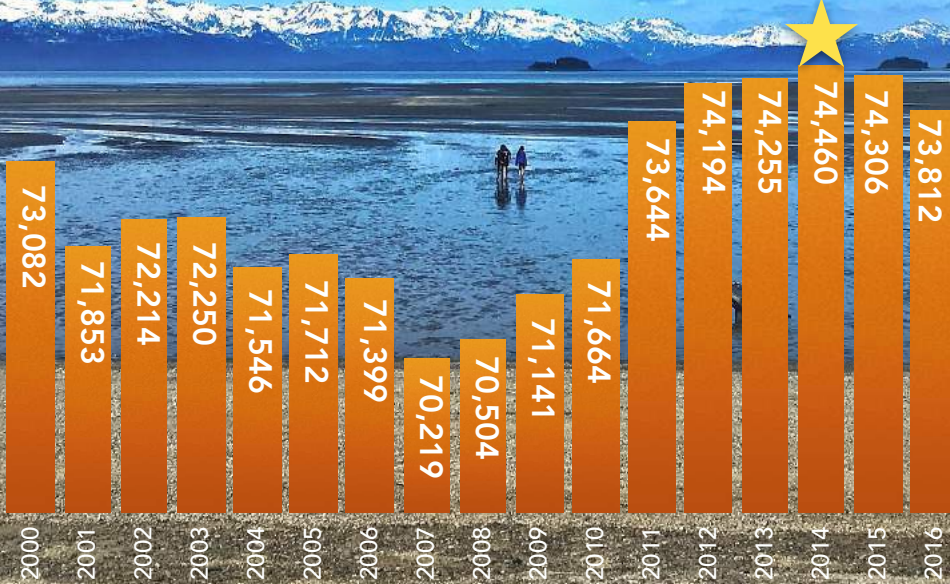
Sources: ADOL 2016 Employment and Wage data; U.S. Coast Guard; Alaska Department of Revenue. Photo Credit: Alaska Framed.

Avg. Daily Volume of the Trans Alaska Pipeline System and Inflation Adjusted Price Per Barrel, 1977-2017

Oil revenues historically accounted for 90 percent of the state's unrestricted revenues



DEMOGRAPHICS



Population 73,812

DOWN 500 PEOPLE IN 2016 -1%

Between 2014 and 2016 Southeast Alaska's population decreased by 648 people after two years of consecutive decline. These losses were more significant in 2016 and centered in Juneau, where the cuts to State jobs led to a reduction of nearly 300 residents. But the losses were region-wide, with six of the region's seven boroughs reporting population decline (only the Borough of Wrangell was spared).

SCHOOL ENROLLMENT UP

Despite population losses, school enrollment was up in 2017 over 2016. While the size of the increase was tiny (half a percent, 90 kids) it was the largest increase in more than two decades, during which time annual enrollment shrank by 3,250 K-12 students.

AGING CONTINUES

Despite relatively flat trends, there were some significant shifts in the region since 2010. The number of people in their 40s shrank by 1,700 (-16%) and we ended up with 600 fewer teenagers (-6%). As expected, the most pronounced shift was the continued explosion of baby boomers into their older years. Those aged 60 plus grew by 4,100 people (+8%) simply through aging in place, meaning 27% of all adults in the region are over the age of 60, a percentage that is growing.

COMMUNITY CHANGE

Gustavus continues to have the most pronounced growth of any community. Since 2010 that community has grown by 26% for a total gain of 116 people. Factors influencing this growth include new ferry service and lower cost hydro power electricity displacing diesel. Significant population growth (of 19% or higher) was experienced by some of our smaller communities over the past two years, including Port Alexander, Hollis, and Kasaan.

Among communities with over 1,000 residents, only Wrangell and Skagway grew, both experiencing moderate growth (2% and 3% respectively). The island of Prince of Wales grew by nearly 6%, thanks to strong growth in places like Klawock, Thorne Bay, and Coffman Cove. Places with double-digit percentage population losses since 2010 include Pelican and Elfin Cove.

POPULATION OUTLOOK

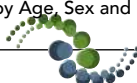
As long as the state continues to reduce jobs, payments to communities, and infrastructure investments in the region, job losses will continue, and these will continue to be paired with population declines.



POPULATION CHANGE 2014 TO 2016

	2014	2016	Change
Juneau Borough	33,022	32,739	-1%
Ketchikan Borough	13,871	13,758	-1%
Sitka Borough	9,084	8,920	-2%
Petersburg Borough	3,206	3,179	-1%
Haines Borough	2,550	2,466	-3%
Wrangell Borough	2,415	2,458	2%
Metlakatla	1,485	1,467	-1%
Craig	1,205	1,102	-9%
Skagway Municipality	1,034	1,065	3%
Klawock	806	814	1%
Hoonah	790	793	0%
Kake	627	605	-4%
Yakutat City & Borough	631	594	-6%
Gustavus	519	558	8%
Thorne Bay	533	532	0%
Angoon	417	408	-2%
Hydaburg	407	404	-1%
Coffman Cove	176	204	16%
Tenakee Springs	127	140	10%
Hollis	93	112	20%
Naukati Bay	120	104	-13%
Klukwan	84	95	13%
Kasaan	75	89	19%
Hyder	93	84	-10%
Pelican	76	78	3%
Port Alexander	45	58	29%
Port Protection	54	51	-6%
Whale Pass	40	45	13%
Edna Bay	47	41	-13%
Game Creek	18	21	17%
Point Baker	13	14	8%
Elfin Cove	16	13	-19%
Other (POW, H/A CA)	781	801	3%
Total	74,460	73,812	-1%

Sources: Alaska Department of Labor (ADOL); ADOL Southeast Alaska Population by Age, Sex and Borough/Census Area, 2010 to 2016; Alaska Department of Education and Early Development; Alaska Population Projections



SOUTHEAST ALASKA REGIONAL OVERVIEW

78%

THE FEDERALLY-MANAGED TONGASS MAKES UP NEARLY
4/5TH OF ALL SOUTHEAST ALASKA

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 HEALTH TRUST

0.25%

MUNICIPAL LAND HOLDINGS

0.05%

PRIVATE LAND OWNERS

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.

CULTURE

The dominant culture in the region is indigenous. Alaska Natives—the Tlingit, Haida, and Tsimshian—make up nearly a quarter (22.4%) of the region's population. The Tlingit have resided in the region for 11,000 years. The region's mild climate, abundant food and raw materials supported the development of highly organized and culturally advanced societies with extensive trade routes.

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. In the beginning of the 1990's seafood and timber directly accounted for a fifth of the regional economy. However, 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 levels fell. Total Southeast Alaska wages hit bottom in 1997. Population continued to decline through 2007. Between 2008 and 2015 the region staged an economic recovery, rebounding to record numbers of jobs, wages, and residents. However, the recent state budget crisis has changed the economic trajectory of the region. Population and employment levels are once again declining, and the adverse economic consequences of state job and budget cuts will continue.

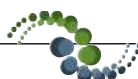
LAND OWNERSHIP

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.) 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.

Southeast Alaska Land Ownership
Circle size = Number of Acres

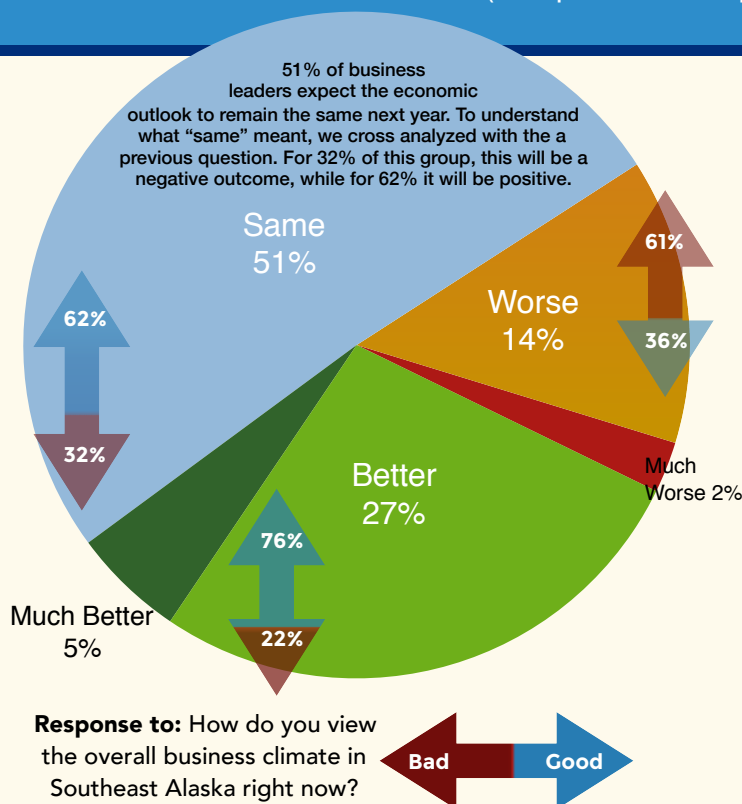


Sources: Personal communications with Kyle Moselle, State of Alaska; Susan Jennings, US Forest Service; Brian Kleinhenz, Sealaska. *Economies in transition: An assessment of trends relevant to management of the Tongass National Forest, USDA 1998.*
Photo Credit: Canoe by Annie Caulfield.



SOUTHEAST ECONOMIC OUTLOOK SURVEY

“What is the economic outlook for your business or industry over the next year (compared to the previous year)?”



Current Regional Business Climate Survey

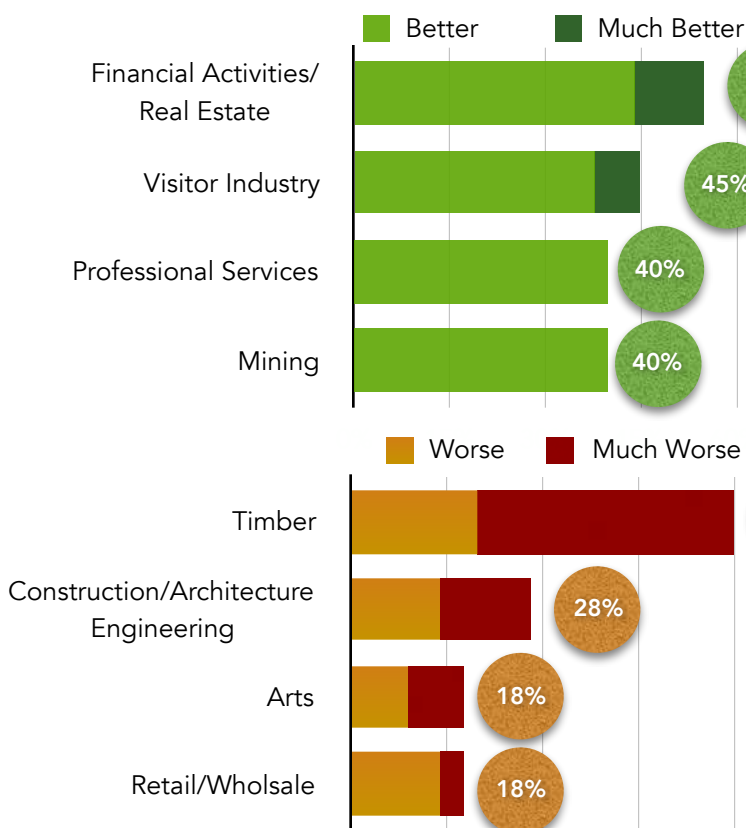
In the Spring of 2017, 209 Southeast Alaska business owners and top managers from 22 communities and 21 sectors responded to Southeast Conference's Business Climate and Private Investment Survey. Nearly two-thirds (64%) of regional business leaders were positive about the economy, calling the current business climate “good” or “very good.”

Southeast Alaska Economic Outlook

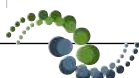
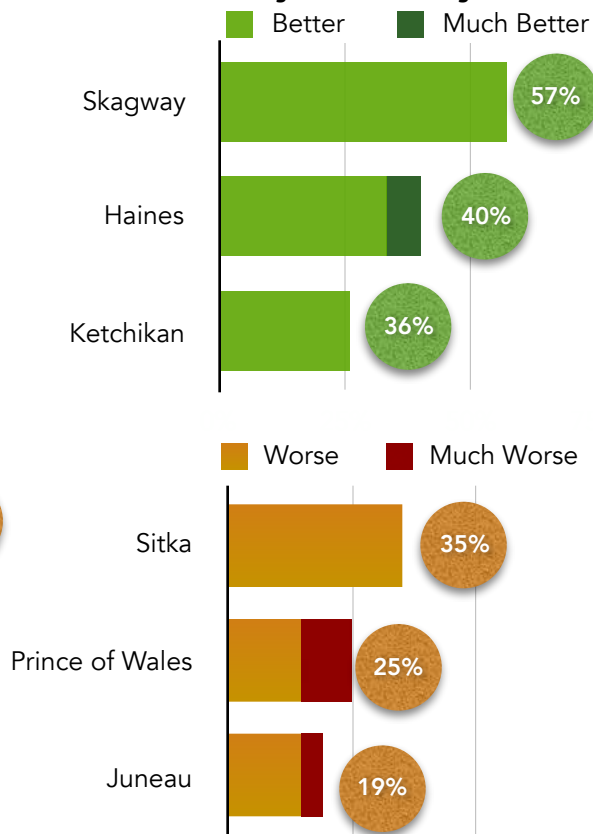
Regardless of the regional indicators, businesses in Southeast Alaska are largely optimistic about the future. While 99% are concerned about the region overall moving forward, one-third of Southeast Alaska business leaders expect their own sectors or businesses to improve and 16% expect decline. More than half (51%) expect the outlook to remain status quo. For nearly 2/3rds of this group, that is a good thing—of that 51%—1/3rd reported a negative current business climate, while 62% reported a positive business climate. Businesses in Skagway and Haines reported the brightest outlook; while Sitka and Prince of Wales reported a deteriorating economic outlook. The financial sector (including insurance, accounting, and real estate) reported the most positive outlook of any industry, with more than half of respondents foreseeing improved outcomes, followed by the visitor industry. The sectors most concerned about their future include the timber industry—where 60% of respondents say their industry will continue to decline—and the construction sector, including architecture and engineering.

What is the economic outlook for your business or industry?

By Industry

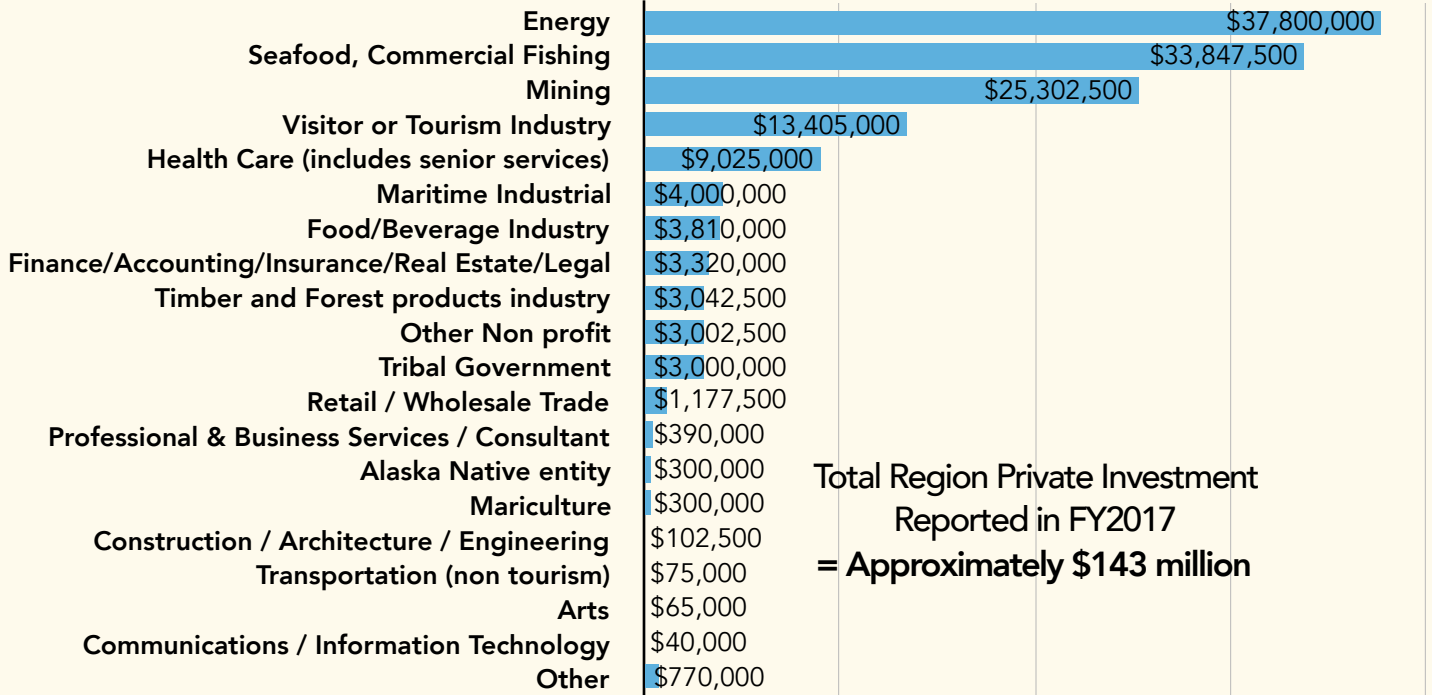


By Community



BUSINESS INVESTMENTS

The annual Southeast Alaska private investment survey provides insight into the levels of private capital invested in the region. Business owners and operators across the region report expenditures beyond typical business and payroll expenses. Rather than disclosing exact dollar amounts, respondents report investments by range. Overall, \$114.5 million to \$178.4 million of private investment in the Southeast Alaska region in the 12-month period between July 2016 and June 2017, with a mid-point investment of approximately \$143 million. The energy, seafood, mining and visitor industries attracted the highest level of regional private investment last year. More than three-quarters (83%) of respondents reported investments. The average investment was \$1.1 million, while the median investment (including no investment) was \$7,500. This process measures and reports economic investments made by survey respondents only.



Business leaders that made investments last year were asked to provide a short description of the purpose of these investments. This word cloud is a visualization of the responses, with more frequently used words appearing more prominently.



SOUTHEAST 2020 STRATEGIC PLAN SUMMARY

In June 2017, Southeast Conference updated the Southeast Alaska 2020 Economic Plan, a five-year strategic plan for the region. The membership worked together to develop an overall vision statement, 46 objectives, and 7 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.



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.



Energy

- ★ **Priority** Promote Priorities Of The Regional Energy Plan Including Infrastructure and Diesel Displacement
- Support Community Efforts to Create Sustainable Power Systems That Provide Affordable/Renewable Energy.
- Complete Regional Hydrosite Evaluation for Southeast Alaska.



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.



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.



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

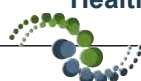
Arts: Increase Recognition of Southeast Alaska's Thriving Arts Economy.

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.





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SOUTHEAST ALASKA AND THE AMHS FERRY ROUTE

Yakutat

Klukwan

Skagway

Haines

Elfin
Cove

Gustavus

Pelican

Hoonah

Juneau

Tenakee

Angoon

Sitka

Kake

Port Alexander

Petersburg

Point Baker

Port Protection

Wrangell

Edna Bay

Whale Pass

Naukati

Coffman Cove

Klawock

Thorne Bay

Craig

Kasaan

Hyder

Hydaburg

Hollis

Ketchikan

Metlakatla

Rain Coast
Data

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