SOUTHEAST ALASKA

By the Numbers 2019

CHANGES **2017 TO 2018**

REGIONAL POPULATION DECREASED BY **80 PEOPLE** TO **72,876**

LABOR FORCE INCREASED BY **2 JOBS** TO **45,642** JOBS

TOTAL GOVERNMENT JOBS DECREASED BY **108 JOBS** TO **13,148**

CRUISE PASSENGERS INCREASED BY **7% TO 1.2 MILLION**

POUNDS OF SEAFOOD LANDED IN THE REGION DECREASED BY **118 MILLION POUNDS**, A DECREASE OF **39%**

HEALTH CARE JOBS IN THE REGION INCREASED BY **121**, A GAIN OF **3%**

SOUTHEAST ALASKA'S **ECONOMY**

The Southeast Alaska summer of 2019 was filled with record-high temperatures and a historic number of visitors spending money across the region's communities. While it was the picture of prosperity, the region's complex economic framework is thriving in some segments, while struggling in others.

Southeast Alaska's shrinking State sector is down by more than 800 jobs over 7 years. Long the top provider of wages in the region, state government is on track to be a distant third in coming years – after municipal government and tourism – and a bountiful fishing season would make the state the fourth largest provider of wages. Alaska's fiscal health has been managed to the detriment of Southeast Alaskans, as short-term gains took priority over the long-term economic health of the State sector, and State savings were depleted without full implementation of a sustainable fiscal solution. As a result the region has been embroiled in economic uncertainty that is a problematic companion to a thriving private sector.

The regional health care industry had been optimistic about the trajectory of the economic environment, adding nearly 500 jobs and $50 million in wages over the last four years to support the growing health care needs of an aging population. However, steep state cuts to Medicaid funding, compounded by the potential loss of matching federal dollars, have reversed the growing business confidence of that sector. The region's mining sector has been growing, while the ship building and construction sectors have contracted.

Fishing remains mercurial. Southeast Alaska lost nearly 700 seafood jobs in the past four years, with wages down by $22 million. By volume, the catch for 2018 was the lowest in decades, but strong seafood prices have offset losses. The so-called trade war with China is having deleterious impacts on several Southeast industries, including seafood, timber, and mining.

Through all of this, the visitor industry has provided a critical counter-balance to a capricious economy. In just seven years, the tourism sector added more than 2,000 annualized jobs to Southeast communities, increasing wages by $85 million. During the summer of 2020, 1.44 million visitors are projected to spend nearly $800 million during their Southeast Alaska holidays.

The collective result was a flat economy in 2018. Southeast Alaska decreased in population by 80 people, added two jobs, and overall wages grew incrementally. The region persevered through several rough years, but Southeast Alaskans are resilient and remain optimistic about the future. More than a quarter of regional businesses plan to add jobs in the coming year, and 68% of business leaders expect the coming year to be positive and/or better than last year.

SOUTHEAST **2020 STRATEGIC PLAN** SUMMARY

The Southeast Alaska 2020 Economic Plan, is 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. In 2018 this work received a national NADO Innovation Award. The Plan's objectives are listed below.

Transportation

- ★ **Priority** Minimize Impacts of Budget Cuts to AMHS and Develop a 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** 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.

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

- **Healthcare:** Meet Regional Workforce Development Needs.
- **Research:** Attract Science and Research Jobs to Southeast Alaska.
- **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.
- **Cultural Wellness:** Support Activities and Infrastructure that Promote Cultural Wellness.

A Message from **Southeast Conference**

Executive Director **Robert Venables**

We truly are living in "interesting times." In many economic sectors, the region is holding its own or doing well, while others struggle. The pervasive uncertainty that envelopes the region and state is cited as a top reason industry hesitates to invest, expand and grow. A stable fiscal policy is essential.

Southeast Alaska is blessed with the natural resources that can provide the basis for a strong economy. Our fisheries, mariculture, mining, timber and energy "endowment" is second to none. We need to focus on creating an environment that attracts and nurtures investment in those opportunities.

Also critical is the availability of skilled labor. Southeast Conference continues to be involved in workforce development and is a strong supporter of our University as a primary institution for preparing the next generation of workers.

Infrastructure and transportation must be present to support new and growing businesses. Southeast needs adequate ports, harbors, airports, roads, and most certainly a viable ferry system. Changes to AMHS are here, but we have a plan – and more importantly, a process guided by statewide stakeholders with a passion to see it succeed in its mission.

Our award-winning Economic Plan is our guide. This year we use it to measure how we've done the last 5 years as we update it toward our goal of strong economies, healthy communities and a quality environment in Southeast.

Incoming President **Alec Mesdag**

Alec Mesdag is the Director of Energy Services for Alaska Electric Light and Power in Juneau. Together with his wife, they own and operate Salty Lady Seafood Company, a mariculture farm in Bridget Cove.

I lived in Portland for about five years. Among many strange things about living there, "Keep Portland Weird" stickers are all over the place. When I moved back to Juneau and attended my first Annual Meeting, it struck me that, in Southeast, we don't need to remind each other. I think that's the greatest advantage Southeast Conference has as an economic development organization. The membership and region have great diversity of thought, culture, and experience, and we welcome one another. That mixture drives innovation, and innovation drives growth.

One of the less-heralded bonds of our region is the need to constantly battle with visitors and in-laws from Portland about what it takes to stay warm when wet. That fundamental requirement for successfully going outside in Southeast Alaska helps underpin an ability to distinguish between reality and dogma, and that works as an analogy for what impressed me and encouraged me to become more involved in Southeast Conference. The organization's structure and economic plan acknowledge the need for continuous adaptation by government and the private sector, so the two complement each other's work without creating obstacles and distortions. That is why membership engagement in the Southeast Alaska Economic Plan has more potential to shape the trajectory of our region's economy than any other factor within our control.

Robert Venables, Meilani Schijvens, and Alec Mesdag show off the National Association of Development Organizations 2018 Innovation Award, which Southeast Conference won for the Southeast Alaska 2020 Economic Plan. Photo by Heather Holt.

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 200 member organizations representing 1,200 people from 32 regional communities. We started 60 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.

Image Credits: Front cover photo of Juneau Waterfront by Zachary Hanna. Back cover photo by Bethany Goodrich, Sustainable Southeast Partnership. Icons/map by Avery Veliz.

Four Years of Change: 2014 to 2018

Table tracks key Southeast indicators over the past 4 years, along with associated changes.

Demographics	2014	2018	% Change 2014-2018	Change 2014-2018
Population [1]	74,432	72,872	-2%	-1,556
Ages 65 and older [2]	9,243	11,089	20%	1,846
Under Age Five [2]	4,622	4,146	-10%	-476
Twenty somethings [2]	9,398	8,447	-10%	-951
K-12 School District Enrollment [3]	11,804	11,334	-4%	-470
General Economic Conditions				
Total Labor Force (jobs, includes self-employed & USCG)[1,5,6]	45,694	45,642	0%	-52
Total Job Earnings[1, 5, 6]	$2.17 billion	$2.28 billion	5%	+$109 million
Total Private Sector Payroll [1, 6]	$1.41 billion	$1.51 billion	7%	+$97 million
Average Annual Wage [1]	$47,593	$50,023	5%	$2,430
Annual Unemployment Rate [1]	7.1%	6.0%	-1.1%	-1.1%
Top Economic Sectors	**2014**	**2018**	**% Change**	**Change**
Government	Public Sector: 35% of all employment earnings			
Total Government Employment [1, 5]	13,602	13,148	-3%	-454
Federal Employment [1, 5] (8% of all employment earnings)	2,110	2,111	0%	1
State Employment [1] (14% of all job earnings)	5,504	4,771	-13%	-733
City and Tribal Employment [1] (14% of all job earnings)	5,988	6,266	5%	278
Total Government Payroll (includes USCG) [1, 5]	$765.8 million	$776.9 million	1%	+$11 million
Total State of Alaska Payroll	$311.3 million	$283.3 million	-9%	-$28 million
Visitor Industry	Key Industry: 11% of all employment earnings			
Total Visitor Industry Employment [1, 6]	6,923	8,004	16%	1,081
Total Visitor Industry Wages/Earnings [1, 6]	$188.5 million	$249.3 million	32%	+$60.8 million
Total Southeast Alaska Passenger Arrivals	1,359,897	1,618,311	19%	258,414
Cruise Passengers [10]	967,500	1,169,000	21%	201,500
Total Air Passenger Arrivals from Outside SE [11]	372,197	435,476	17%	63,279
Total AMHS Passengers from Outside SE [12]	20,200	13,835	-32%	-6,365
Commercial Fishing & Seafood Industry	Key Industry: 10% of all employment earnings			
Total Seafood Employment (includes fishermen) [1, 6]	4,372	3,711	-15%	-661
Total Seafood Employment Earnings [1, 6]	$259.0 million	$237.4 million	-8%	-$21.6 million
Pounds of Seafood Processed[7]	232.9 million	132.7 million	-42%	-97.8 million
Pounds Landed (commercial seafood whole pounds by SE residents) [8]	300.0 million	185.2 million	-38%	-114.8 million
Estimated Gross Earnings (ex-vessel value of pounds landed) [8]	$277.1 million	$246.9 million	-11%	$30.2 million
Shared Fish Taxes[13]	$5.8 million	$4.5 million	-22%	-$1.2 million
Health Care Industry (public & private health)	Key Industry: 11% of all employment earnings			
Health Care Employment [1, 6]	3,523	3,990	13%	467
Health Care Wages [1, 6]	$194.8 million	$243.3 million	25%	+$48.5 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	6,273	-7%	-495
Private Maritime plus USCG Wages [1,5,6]	$395.5 million	$396.8 million	0%	+$1.3 million
Other Selected Statistics	**2014**	**2018**	**% Change**	**Change**
Construction Employment [1, 6] (6% all employment earnings)	2,168	1,909	-12%	-259
Mining Employment [1] (4% of all employment earnings)	783	889	14%	106
Price of Gold [7]	$1,266	$1,268	0%	$2
Total Southeast AMHS Ridership[12]	242,648	179,312	-26%	-63,336
Cost of Living: Consumer Price Index[1]	215.8	225.5	5%	9.7
Housing Starts: Housing Permitted /Completed [4,1]	321	188	-41%	-133
Avg. Daily Volume ANS Oil Production (mbbls/day)[14]	512,810	508,601	-1%	-4,209
Annual Avg. Domestic Crude WTI Oil Prices (in $/Barrel)[14]	$97.88	$71.71	-27%	-$26

Sources: [1]Alaska Department of Labor (ADOL); [2]ADOL Southeast Alaska Population by Age, 2014 to 2018; [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] 2017 US Census Nonemployer (self-employment) Statistics; [7]Kitco Metals Inc.; [8]ADF&G Southeast Alaska Commercial Seafood Industry Harvest and Ex-Vessel Value Information, 2014-2018; [10]Cruise Line Agencies of Alaska; [11]US Bureau of Transportation Statistics (RITA); [12]Alaska Marine Highway System data; [13]Shared Taxes and Fees Annual Report FY17, ADOR; [14]Alaska Department of Revenue *Crude Oil and Natural Gas Prices*.

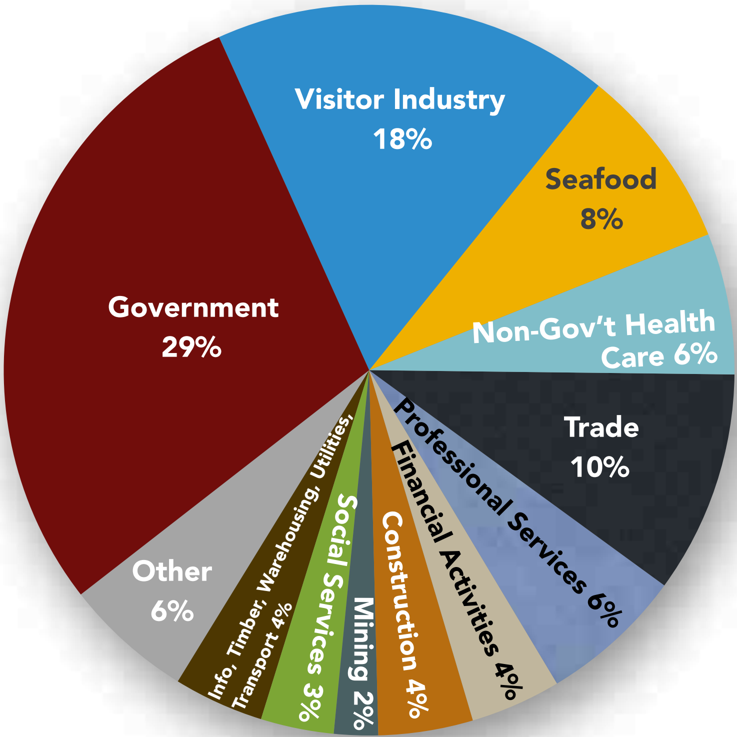
The Whole **Southeast Alaska Economy** 2018

In 2018, Southeast Alaska gained 380 year-round equivalent jobs and $17 million in workforce earnings over 2017. Approximately a quarter (26.1%) of regional workers are non-residents.

Annual Average Jobs

45,642 Jobs

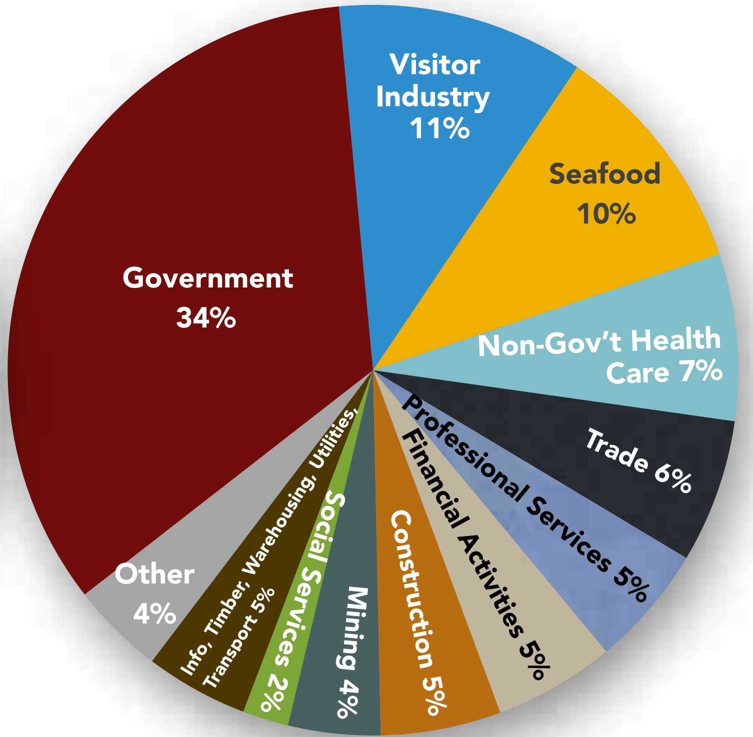
UP 2 JOBS IN 2018 +0%



Employment Earnings

$2.3 Billion Workforce Earnings

UP $86 MILLION +4%



2018 Southeast Alaska Employment Earnings

	Employment Related Earnings			Employment Numbers		
	Wages (2018)	Self-Employment Earnings (2017)	Total Earnings	Annual Average Employment (2018)	Self-Employed (2017)	Total Employment
Government (includes Coast Guard)	$721,459,750	$55,467,580 CG*	**$776,927,330**	12,486	662 CG*	**13,148**
Visitor Industry	$216,101,975	$33,241,000	**$249,342,975**	7,037	967	**8,004**
Seafood Industry	$61,983,458	$175,459,000	**$237,442,458**	1,458	2,253	**3,711**
Trade: Retail and Wholesale	$120,405,013	$24,666,000	**$145,071,013**	3,903	587	**4,490**
Health Care Industry (private only)	$154,278,150	$14,330,000	**$168,608,150**	2,615	237	**2,852**
Construction Industry	$88,673,702	$32,972,000	**$121,645,702**	1,331	578	**1,909**
Financial Activities	$52,935,761	$69,216,000	**$122,151,761**	1073	757	**1,830**
Professional and Business Services	$78,756,495	$44,242,000	**$122,998,495**	1,606	1,304	**2,910**
Mining Industry	$92,753,768	$274,000	**$93,027,768**	879	10	**889**
Social Services	$42,218,089	$4,224,000	**$46,442,089**	1,289	187	**1,476**
Information (publishing, broadcasting, telecomm.)	$22,074,083	$1,474,000	**$23,548,083**	483	58	**541**
Timber Industry	$16,739,683	$2,025,000	**$18,764,683**	280	57	**337**
Warehousing, Utilities, & Non-Visitor Transport	$46,340,395	$15,414,000	**$61,754,395**	777	166	**943**
Other	$66,819,751	$27,657,000	**$94,476,751**	1,677	925	**2,602**
Total	**$1,781,540,073**	**$500,661,580**	**$2,282,201,653**	**36,894**	**8,748**	**45,642**

Sources: Alaska Department of Labor 2018 Employment & Wage data; 2017 (latest available) US Census Nonemployer (self-employment) Statistics; Active Duty Military Population by 2018, ADOL.*These cells in Government refer to 2018 active duty Coast Guard personnel employment and wages, and not self-employment data.

Notes: Seafood Industry includes animal aquaculture, fishing & seafood product preparation, 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). **Timber** includes forestry and logging support activities for forestry, and wood product manufacturing.

Southeast Tourism Statistics 2020

Estimated Regional Visitor Industry Projections for 2020

43

Cruise Ships in Southeast

606

Cruise Ship Voyages

1.44

Million Cruise Passengers

$793

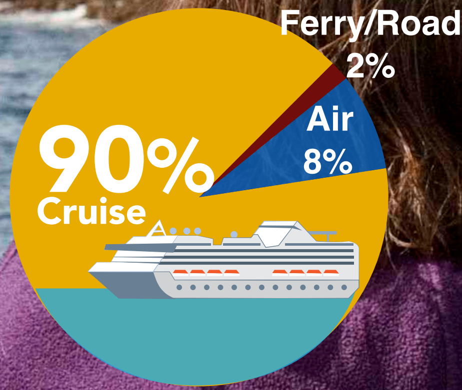
Million in Tourist Spending

2020

65%

Increase in cruise passengers from 2010

Tourist Arrivals in Southeast by Mode

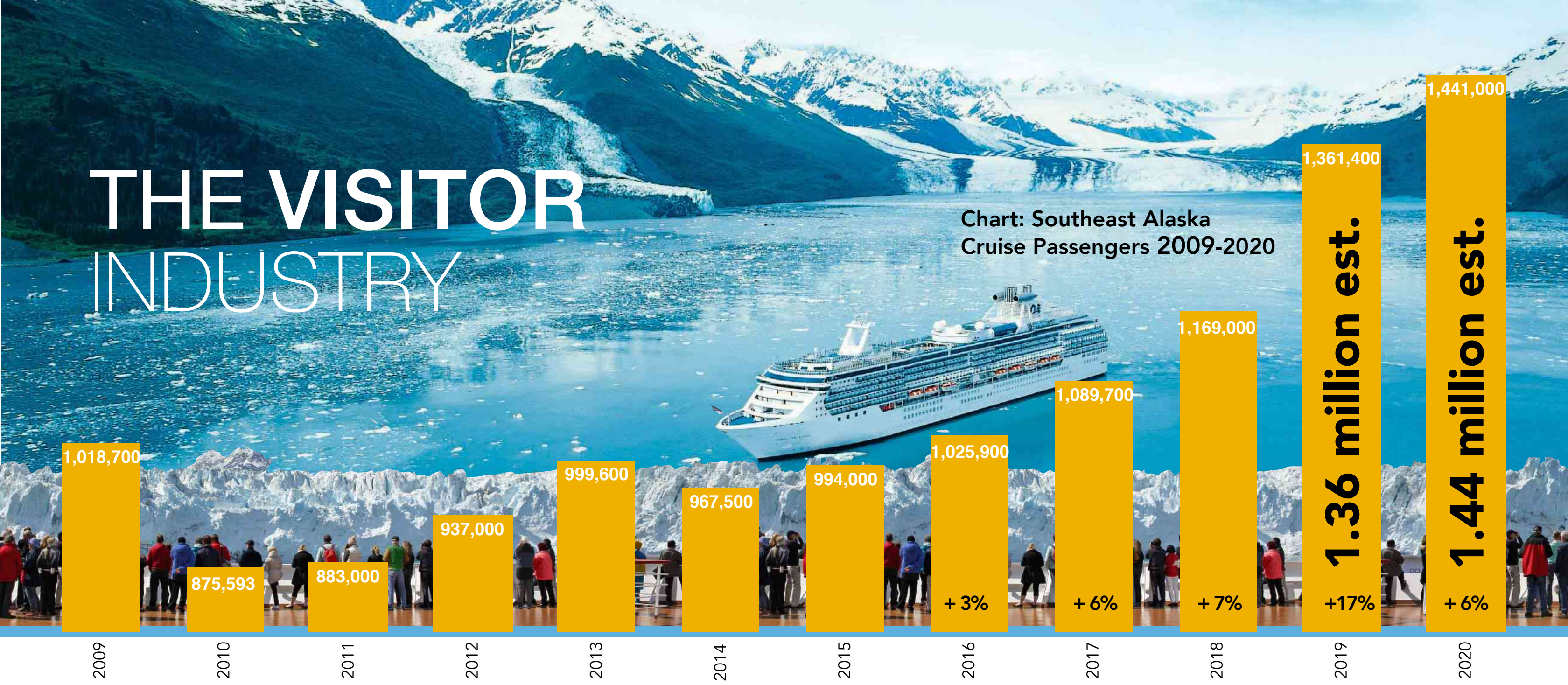


Southeast Alaska Cruise Passengers Arrivals by Port

Port	2018 actuals	2019 projected	2020 projected	% of all passengers	Change 2018 to 2020
Juneau	1,151,094	1,325,792	1,421,929	99%	24%
Ketchikan	1,053,764	1,212,033	1,275,636	89%	21%
Skagway	957,847	1,044,107	1,070,610	74%	12%
Gustavus (Glacier Bay)	569,807	636,811	584,528	41%	3%
Hoonah (Icy Strait Point)	189,000	272,327	404,033	28%	114%
Sitka	158,362	224,379	210,399	15%	33%
Haines	57,798	67,799	78,322	5%	36%
Wrangell	11,974	17,342	17,742	1%	48%
Total Southeast	**1,169,000**	**1,361,400**	**1,441,000**	**100%**	**23%**

Sources: Cruise voyage and passenger number projections provided by Cruise Lines International Association Alaska. Excludes numbers for some smaller cruise ships. Spending and mode projections developed by Rain Coast Data based on CLIAA, AVSP VII, US Bureau of Transportation Statistics, and Alaska Marine Highway System data.
Photo Credit: Tourists aboard an Allen Marine vessel in Sitka, by Peter Metcalfe.

THE VISITOR INDUSTRY



Visitor Industry
8,004 Annualized Jobs

Up 265 Jobs in 2018 +3%
Wages up 8%

The visitor industry is the largest private sector industry in Southeast, both in jobs and, since 2016, in total workforce earnings (see chart on page 5). Indeed, if the industry continues to grow it is set to eclipse both the municipal and state government sectors in total wages (it is already larger than both in terms of employment) and become the region's largest sector overall. The visitor industry accounted for 18% of regional employment (8,004 annual average jobs) and a quarter of all private sector employment.

Since 2011, tourism has added more than 2,000 year-round equivalent jobs to the Southeast economy. Those working in the visitor industry earned $249 million in 2018—or 11 percent of all regional employment income. The average annualized wage in the visitor industry is $31,152, significantly lower than the average regional wage of $50,002, but it is a figure that has been steadily increasing over time.

In 2018, 1.6 million air, ferry, and cruise passengers came to Southeast Alaska from outside the region, a 19% increase over 2014. Airline passenger traffic from outside the region grew 17%, and cruise passenger traffic to the region increased by 13%. However, ferry arrivals from outside the region fell by 32% due to decreases in funding and service.

Cruise Ship Traffic

Most passengers arriving in the region come by cruise ship than any other mode. When tourists only are considered, that figure will be 90% by 2020. Cruise passenger traffic has seen massive increases in recent years. Between 2010 and 2020, the number of cruise passengers arriving in the region is projected to increase by a staggering 65%, including two-year growth of 23% expected between 2018 and 2020. Southeast Alaska will receive 5% of all global cruise ship passengers in 2019.

In 2019, 40 cruise ships are scheduled to visit the region, carrying 1.36 million passengers on 577 voyages. In 2020, ten new ships and 29 additional port calls are expected to be added, while 7 ships will be phased out of the region. Lines with new ships will include Carnival, Princess, Royal Caribbean, Norwegian, and Oceania. Lines that plan to reduce their Alaska fleet include Holland America, Crystal, and Azamara, which has no ships scheduled to visit Alaska in 2020.

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 are expected to spend nearly $800 million in 2020.

Increased Jet Service

For the fourth year in a row, in 2018 Southeast Alaska saw a record-breaking number of airline passengers from outside the region, with 435,476 arrivals. However, in 2019 air passenger numbers declined. As of July 2019, airline passenger arrivals were down 4% over the first half of 2018.

Visitor Outlook

The visitor industry has the strongest outlook of all Southeast Alaska industries. Alaska's popularity as a visitor destination has continued to grow. In 2018, Glacier Bay was rated the best cruise designation in the world by cruisers. More Americans are traveling due to a strong national economy and international travel destinations are increasingly perceived to have security risks. Cruise passenger arrivals are expected to continue to rise as larger, higher-capacity vessels visit the region. Along with increased visitors, the number of jobs and associated income in this sector will continue to rise.

However, Southeast's strong visitor economy is tied to a strong national economy. As more signals suggest the possibility of a national recession, the region should be prepared for this sector to see a reduced number of visitors if a recession does occur.

Sources: Combination of ADOL 2018 Employment and Wage data and 2017 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; Cruise Critic; 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. Cruise Lines International Association Alaska.
Note: In this analysis, the visitor industry includes leisure and hospitality businesses, along with air, water & scenic transportation companies.
Photo Credit: Cruise Lines International Association Alaska & Shutterstock 290564897.

SOUTHEAST MARITIME: **6,273 Jobs**

Private and US Coast Guard Maritime Employment & Workforce Earnings (-2 jobs 2017-2018)

Fishing & Seafood Processing
Jobs: **3,508**
Wages: **$237.4 M**
Change in jobs 2014-18: **-20%**

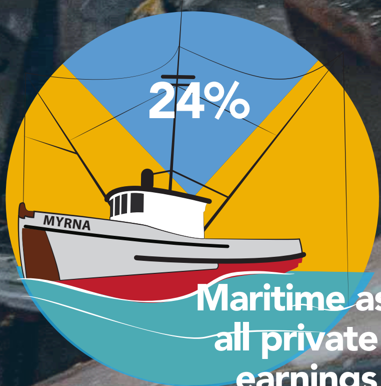
Marine Tourism
Jobs: **1,258**
Wages: **$47.2 M**
Change in jobs 2014-18: **+68%**

US Coast Guard
Jobs: **793** (Active Duty and Civilian)
Wages: **$66.4M**
Change in jobs 2014-18: **+5%**

Marine Transportation
(Excluding Tourism)
Jobs: **367**
Wages: **$24.8M**
Change in jobs 2014-18: **-5%**

Ship Building, Repair, Marinas
Jobs: **326**
Wages: **$19.1 M**
Change in jobs 2014-18: **+73%**

Marine-Related Construction
Jobs: **21**
Wages: **$1.8 M**
Change in jobs 2014-18: **-75%**

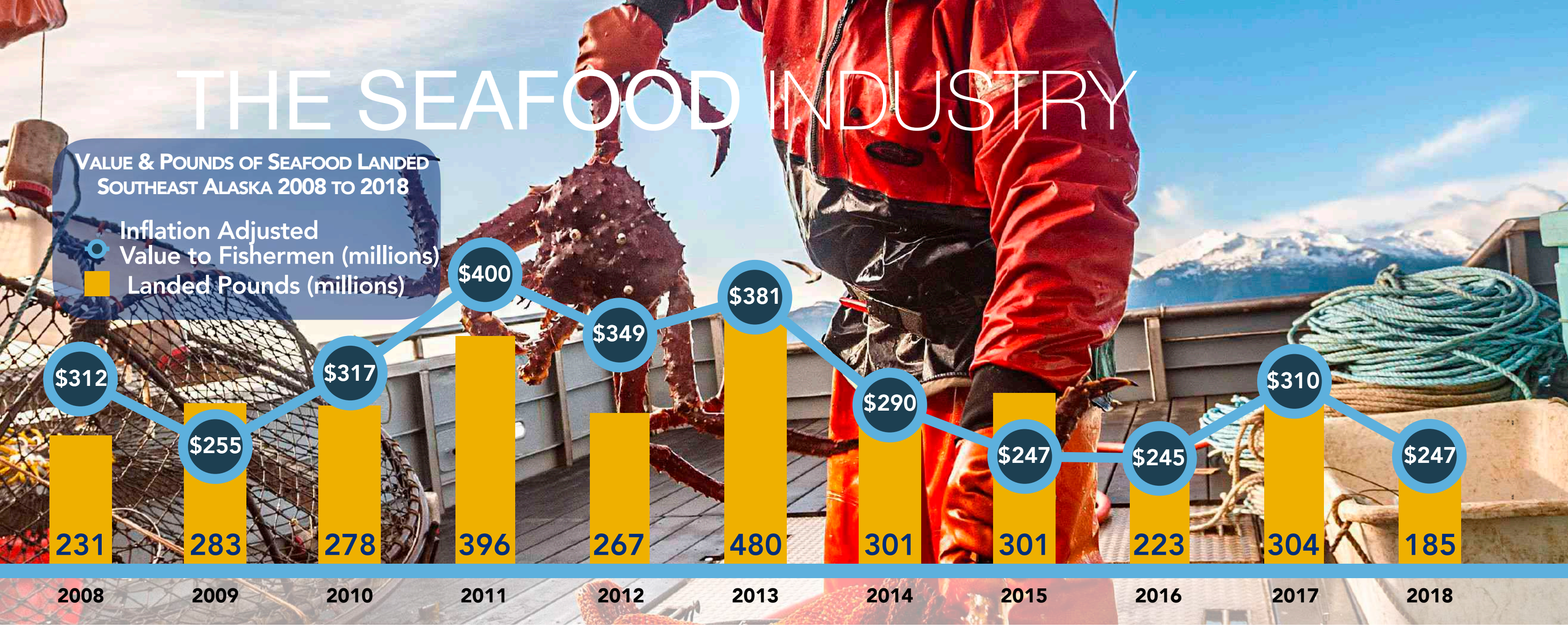


Maritime as a % of all private sector earnings in SE

Southeast Private & USCG Maritime Economy 2014-2018

Total Jobs 2018: **6,273**
Total Wages 2018: **$396.8 Million**
Change in jobs since 2014: **-495**
Change in jobs by percent: **-7%**
Change in earnings since 2014: **-$1.3 Million**
Change in earnings by percent: **-0.3%**

Photo by Chris Miller Photography.
For methodology, notes, and sources, see *www.raincoastdata.com/sites/default/files/Maritime by the Numbers.pdf*



Southeast Seafood Industry 3,711 Jobs

Down 118 Jobs in 2018

The regional 2018 fishing season was significantly below the ten-year average, and total pounds landed was the lowest since the 1980s. Poor pink salmon and herring returns are primarily to blame. The Southeast Alaska seafood harvest in 2018 was 185 million pounds with an ex-vessel value of $247 million. An "average" year would have netted 117 million more pounds of seafood, and earned fishermen $57 million in direct earnings. Fishermen caught 100 million fewer pounds of pink salmon than would be expected in an average year, and 19 million fewer pounds of herring. However, a strong chum return helped offset some of these losses.

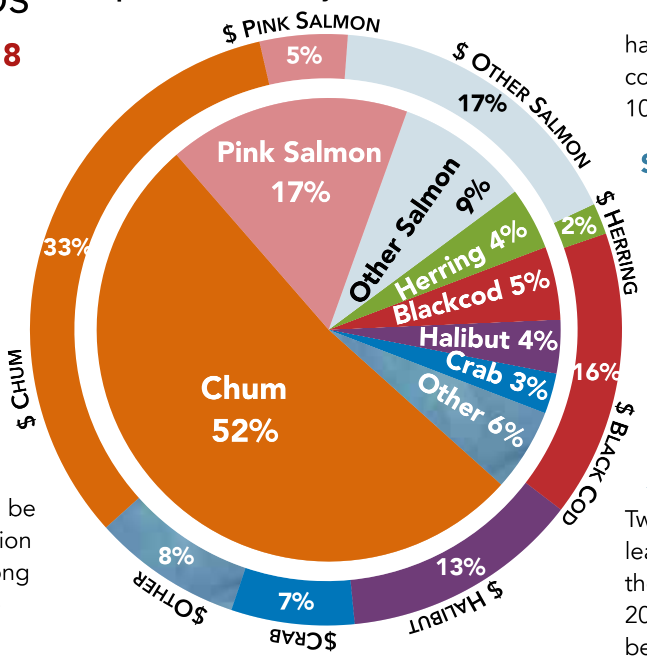
Key Economic Driver

The regional seafood industry (including commercial fishing and seafood processing) generated 3,711 annual regional jobs and $237 million in earnings in 2018, making up 8% of jobs in the region and 10% of earnings. This represents 118 fewer jobs than last year, and a loss of 650 jobs since 2015.

The majority of the statewide catch of Chinook, coho, keta (chum), shrimp, Dungeness crab, and the dive fisheries occurs in Southeast Alaska. In 2018, the five salmon species represented 78% of the regional seafood catch by volume, and just over half of total ex-vessel value ($135 million). Halibut and black cod, at 9% of the total catch, accounted for nearly one-third of total catch value in 2018.

Seafood Landed in SE Alaska by Species, 2018

Outer ring = % of harvest by DOLLAR value: $247 million
Inner pie = % of harvest by POUNDS landed: 185 million



Pink salmon were 76% below 10-year averages. Warm sea temperatures between 2013 and 2016 are being blamed for the reduction in pink salmon.

There was significant variability across fisheries in 2018. Southeast Alaska's 2018 king salmon season was the worst in 57 years of record-keeping, and 2019, with limits set by the Pacific Salmon Treaty, will be even worse. The sockeye salmon harvest was also one of the poorest on record, 47% below 10-year average harvest levels, as was Dungeness crab. In contrast, the 2018 chum salmon return was the 10th largest since statehood.

Seafood Processing

In 2018, shore-based seafood facilities in Southeast Alaska processed 133 million pounds of seafood, with a wholesale value of $439 million, a 42% decrease in seafood pounds processed over 2017. State-shared fisheries taxes for processing activity in FY18 generated $4.5 million for regional communities.

Seafood Industry Outlook

Two-thirds of regional seafood business leaders reported an unfavorable outlook for their industry. While the preseason forecast for 2019 of 44 million salmon was somewhat below typical years, only 60% of that number had been realized by the late summer 2019, mostly due to a poor Chum return. Only a quarter of the expected Chum had been captured by early September.

Uncertainty related to harvest fluctuations, a return of warming ocean temperatures (known as "the blob"), Chinese tariffs, commercial fisheries budget cuts, and global advances in salmon farming all contribute to growing concerns. Retaliatory tariffs imposed by China have already caused a one-third drop in US seafood sales, and more seafood tariffs are set to be enacted on December 15th. Meanwhile, the regional mariculture industry has been growing.

Sources: Combination of ADOL 2018 Employment and Wage data; 2017 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 2019 Alaska Salmon Fisheries and Review of the 2018 Season; ADF&G March 2019; Shared Taxes and Fees Annual Report FY18, ADOR; Alaska Commercial Salmon Harvests and Ex-vessel Values, ADF&G. **Seafood Industry** includes animal aquaculture, fishing, & seafood product preparation and Southeast Alaska resident commercial fishermen (nonresident fishermen & crew who did not report income are excluded). Laine Welch Fish Factor. **Photo**: Chris Miller Photography.

THE HEALTH CARE INDUSTRY

24% wage growth in 3 years

Health Care

3,990 Jobs

UP 121 JOBS IN 2018
+3.1%

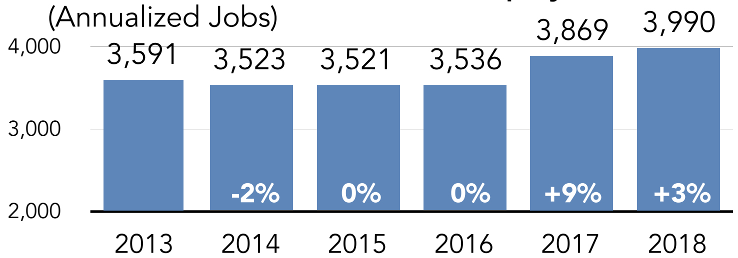
Since 2017, regional health care jobs have finally been growing after years of remaining essentially flat, and even declining.

In 2018, there were 3,990 annual average (year-round equivalent) health care jobs in Southeast Alaska, comprising 9% of the total regional workforce. Between 2016 and 2018, total health care employment increased by 12.5%, for a gain of more than 450 jobs. High worker replacement rates, partly due to the high use of traveling health care workers, means that the total number of people working in the regional health care industry is higher than the annual average job number, with more than 5,000 workers participating in the Southeast Alaska's health care industry in 2018.

The top health care employers in the region are Southeast Alaska Regional Health Consortium (SEARHC) with nearly 1,200 staff, Juneau's Bartlett Regional Hospital with approximately 650 employees, and PeaceHealth Ketchikan Medical Center with nearly 500 workers. Just over a quarter (28%) of health care jobs (1,130) are government jobs, including municipal hospital workers and State of Alaska Pioneer Homes staff.

Regional health care wages have grown significantly in recent years, increasing by $47 million, or 24%, over the past three years, from $195 million in 2015 to $243 million in 2018. Southeast Alaska's health care workers earned 11% of all regional wages last year. The total economic impact of the health care industry in Southeast Alaska in 2018 was $569 million.

Southeast Alaska Health Care Employment
(Annualized Jobs)



Despite growing health care needs in the region due to an aging populace and growing patient volumes, health care employment and wages stagnated through 2016 amid political uncertainty over national health care policy, proposed Medicare cuts, and cuts to state Medicaid. Once that uncertainly appeared to be resolved, hiring increased significantly.

Nationally competition for health care jobs is fierce. With more health care workers needed nationally to support an aging America and more Americans accessing health care, there is a shortage of medical professionals entering the workforce. Medical and nursing schools graduate a similar number of students as they did two decades ago, and baby boomers are retiring. Regional wages were found not to be competitive enough to attract and retain sufficient talent. Southeast providers had to adjust wages upward to remain competitive in attracting workers, resulting in the significant total wage increase.

Whether or not this trend continues is up in the air, as political uncertainty surrounding health care is back.The Spring 2018 Southeast Alaska Business Confidence survey showed that the health care sector was the most optimistic among all regional sectors. However, in December 2018 the governor proposed steep cuts to health care and Medicaid spending across the State of Alaska, which would also result in the loss of matching federal dollars. There are 19,815 individuals enrolled in Medicaid across the region. By Spring 2019 the annual confidence survey showed that health care sector leaders dropped to become the least optimistic in the span of just a year. (See page 17).

In 2019, Southeast Conference conducted a Southeast Alaska health care workforce survey to measure the future workforce needs of regional health care providers along with the obstacles to meeting those needs. Top management from 22 regional health care organizations completed the survey, representing 3,161 health care workers, or 80% or all health care staff. The survey was commissioned by the University of Alaska Southeast, University of Alaska Anchorage, Bartlett Regional Hospital, the Southeast Alaska Regional Health Consortium, and Alaska State Hospital and Nursing Home Association. The following page summarizes some of the survey's key findings.

Source: Southeast Alaska Health Care Workforce Analysis September 2019, Southeast Conference. **Photo credits:** Peter Metcalfe

Best/Least Effective **Recruitment** Strategies

Southeast Alaska health care leaders were asked to rank the effectiveness of 16 recruitment strategies. This chart is a weighted ranking of their highest and lowest ranked tools.

The most effective recruitment tools for Southeast health care institutions include higher wages and providing flexible work arrangements.

The least effective recruitment tool was use of job fairs.

Primary **Retention & Turnover** Factors

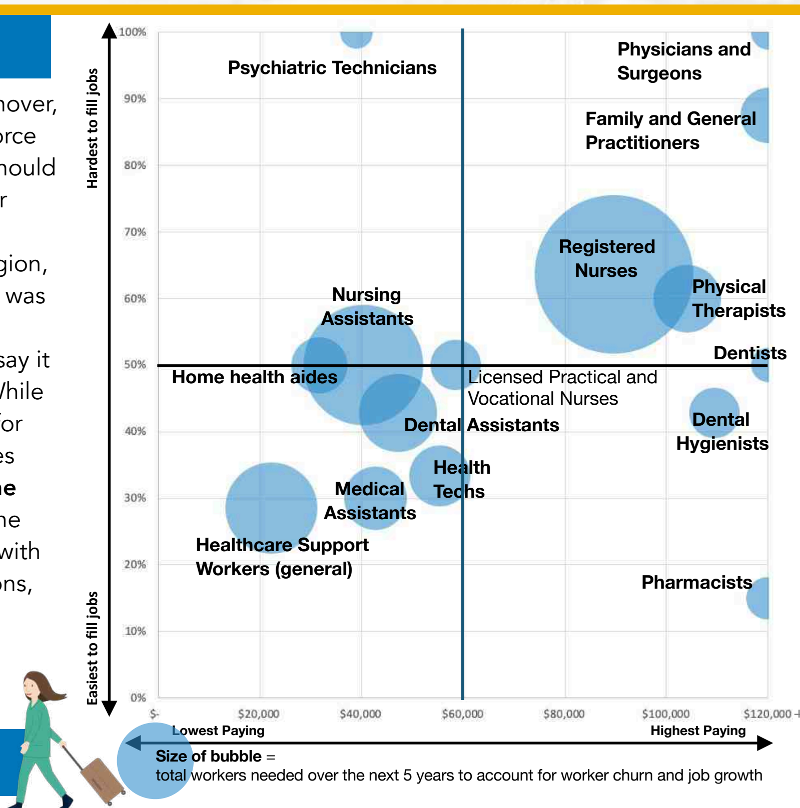
Health care leaders asked to rank the significance of 20 factors that result in long-term retention, or in staff turnover.

The high quality of life offered by Southeast towns, being from Alaska, and the region's access to recreation keep people at their health care jobs in Southeast Alaska.

The high cost of living, lack of childcare, and relative isolation are the primary reasons health care workers quit their jobs. Housing costs and lack of housing availability also key factors.

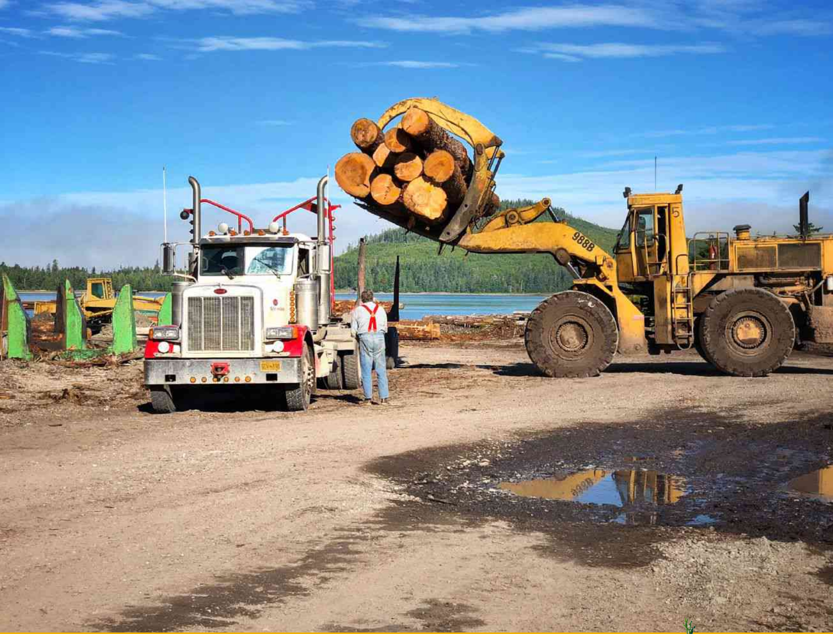
Workforce 5 Year Development Needs

This bubble chart cross-tabulates earnings, recruitment ease, and turnover, and compiles a single picture of the region's future health care workforce needs. It provides a visual blueprint as to where the most resources should be focused when attracting workers to the region, or for "growing our own" workforce. Registered nurses have the highest workforce development need. Last year, 824 registered nurses worked in the region, although the average quarterly worker count was 628, meaning there was significant worker churn in those positions. Moreover, it is hard to fill registered nurse jobs, 82% of health care organizations in the region say it is a difficult position to fill, including 64% who say it is very difficult. While the position is not growing as fast as others — the projected growth for this position is 5% in five years — combined growth and turnover rates mean that **an additional 543 registered nurses will be needed in the region over the next five years**, assuming nothing is done to stem the high rate of turnover. Nursing assistants will also be in high demand, with 312 new positions in need of filling by 2023. While physicians, surgeons, and psychiatric technicians are the hardest positions to fill, the total number of positions forecast to be in need of filling over the next five years is comparatively smaller at 49 combined positions.

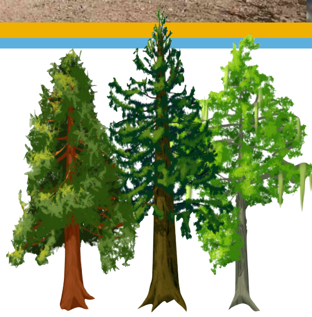


Traveling **Health Care Workers**

Use of traveling health care workers is another important tool that the regional health care industry can use to staff their organizations. Last year, nearly 350 traveling health care workers came to Southeast Alaska. Travelers are both positive and problematic for the Southeast Alaska health care industry. While each of those traveling health care workers represents additional capacity, they also represent additional costs. According to survey analysis, it costs 30% to 250% more to engage a traveling health care worker than it would be to hire a permanent employee, depending on the organization.



Southeast **Timber Industry** 337 Jobs



Down 17 Jobs in 2018 -5%

Regional timber jobs declined by 5% in 2018. The workforce is down to 337 jobs in 2018, with total earnings of $18.8 million. Most of the region's timber jobs are concentrated on Prince of Wales Island, which is home to Viking Lumber, the last remaining mid-sized sawmill in Southeast Alaska. Southeast timber jobs peaked at 3,543 annual average jobs in the 1990s.

In 2001, the Roadless Rule dramatically curtailed logging, roadbuilding, and mineral leasing in all national forests. The Tongass was temporarily exempted from the rule in 2003, but in 2011 that exception was overturned, further limiting access to regional timber stands. Maintaining a sufficient timber supply has been challenging. Even in parts of the Tongass where the rule does not apply, timber sales face regulatory and economic hurdles, and constant legal challenges.

In 2019, the USFS indicated that exempting the Tongass from the Roadless Rule could be the preferred alternative in the draft environmental impact statement to be issued in the fall. The final impact statement and record of decision will not be completed until late 2020 and will be subject to years of litigation. Removal of Roadless Rule restrictions could make more suitable timber land available for harvesting and increase forest-related employment. However, the Forest Service would still have to amend its 2016 management plan before new timber sales could be readied.

Currently, the regional timber supply remains low. A land exchange between the Mental Health Trust and the US Forest Service opened up areas for timber harvest in 2019, although ongoing process arguments have delayed phase 2 of that project, which could have a negative effect on the short-term regional timber supply.

The trade war is also impacting the timber sector. Spruce has been the subject of higher Chinese import tariffs, stalling sales in northern Southeast, where the forests are primarily spruce. The longer-term impact of the trade disputes remains unknown at this time.

Southeast **Mining Industry** 889 Jobs

Up 3 Jobs in 2018

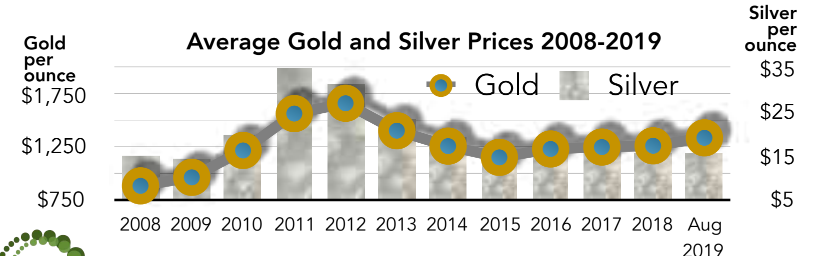
Mining industry employment in the region was flat in 2018, and is on track for 2019 to maintain a similar number of workers. In 2018, there were 889 annual average mining jobs in Southeast Alaska, with a payroll of $93 million. Two large mines operating in the region account for most (93%) of mining employment. In August 2019, Hecla Greens Creek employed 436 full-time permanent employees (+5 from 2018), while Coeur Alaska Kensington had a staff of 386 (-3 from 2018). Average annual wages of $104,650 in 2018 were up 2% from 2017. Mining jobs remain the highest-paying in the region, paying more than double the average regional wage of $50,002.

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 production was mixed in 2018: silver production was down 5% to 8 million ounces, while zinc was up 5%, and gold production was up 1%. Production at Kensington was down 1%, with 113,778 ounces of gold produced in 2018. Zinc prices were up in 2018, and gold continues to rise incrementally.

Mineral exploration continues at the Palmer Zinc-Copper-Gold-Silver Project in Haines. Constantine received permits to construct an underground ramp (tunnel) for expanded exploration. The company recently released a positive Preliminary Economic Assessment, projecting an 11-year mine life with the current resources.

In September, the governor asked that Bokan Mountain, a rare earth element exploration project on Prince of Wales Island, be federally designated as a high priority infrastructure project.

The mining sector is expected to grow incrementally in 2019 and 2020, as it mitigates the impacts of new tariffs.



Sources: ADOL 2018 Employment and Wage data; Kitco Metals Inc; Coeur Mining Inc. 2018 Annual Report; Hecla Mining Company 2018 Annual Report.
Photo credits: Bryce Dahlstrom, Viking Lumber and Constantine Metal Resources.

Construction Industry

1,909 Jobs

Down 23 Jobs in 2018 -1%

For the fifth year in a row construction employment is down, bringing employment to its lowest level since 1992. Jobs fell by 23 last year to 1,909, a combined loss of 360 jobs, or 16% decline, over five years and a $28 million corresponding drop in wages. Construction workers in the region earned $122 million in 2018 — or 5% of all Southeast Alaska employment earnings.

One positive indicator for the sector was that housing construction was up in 2018, as 13 more units were permitted or completed than in the year prior. A total of 188 new homes were permitted in 2018. However, home construction remains significantly down from previous years.

Construction outlook

Visitor industry infrastructure needs have improved the outlook for construction in the region.

- Hoonah's Icy Strait Point is constructing a 500-foot floating dock in partnership with Norwegian Cruise Lines.
- Norwegian Cruise Lines also is exploring a partnership to build a private dock north of Ketchikan at Ward Cove.
- In Juneau, Norwegian recently bid $20 million to purchase 2.9 acres of waterfront land (known as the Subport) and the area is expected to be developed.
- In Ketchikan, the city is considering a $150 million reconfiguration of its existing cruise dock to accommodate cruise vessels exceeding 1,000 feet in length.
- In Juneau, construction is underway on the the public-private waterfront Archipelago project.
- The Central Council of the Tlingit and Haida Indian Tribes of Alaska is building a heritage park in Thane.

Early employment data indicate construction-related employment is finally growing again, and is projected to grow 3% in 2019.

Education

3,096 Jobs

Up 14 Jobs in 2018 +0%

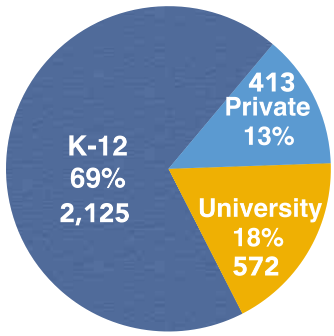
Education is a significant source of jobs in Southeast Alaska. With just over 3,000 average annual workers, the region's educators make up 7% of all regional jobs, and 6% of all regional wages. Teaching jobs provide a counterbalance to summer-centric industries like tourism, fishing, and construction jobs. Education jobs peak at 3,546 in the winter, and decline to just 1,264 positions in July. The average educator's wage in the region was $44,388 last year. Combined, educators earned $137.4 million in 2018.

Education jobs are primarily in the public sector, and 20% of all government jobs are in education. K-12 education is conducted by municipal governments, and comprise 69% of all education positions in the region, with 2,125 average annual workers in 2018, a number that has remained stable in recent years.

The university employed 558 workers in 2018, a decline of 15% compared to 2014, consistent with budget cuts that reduced funding to the University of Southeast Alaska by 13% over this period.

Private education jobs account for 13% of all education employment.

Distribution of 3,096 SE Education Jobs



School Enrollment

UAS enrollment was down by 4% from 2017 to 2,561 students in 2018. In 2018, the number of K-12 students dropped by 146 kids, to 11,334. Regionally, K-12 enrollment decreased for the 21st time in 23 years. Since 1997 annual enrollment shrank by more than 3,500 students, a 24% decline across Southeast Alaska.

Sources: Combination of Alaska Department of Labor 2018 Employment and Wage data and 2017 US Census Nonemployer (self-employment) Statistics; State of Alaska. Alaska Department of Education and Early Development; UA in Review. **Photography credit:** Rain Coast Data and UAS

GOVERNMENT

Government Jobs 2018
Local 5,266 Jobs **-84**
State 4,771 Jobs **-49**
Federal 2,111 Jobs **+1**
Tribal 999 Jobs **+24**

Government
13,148 Jobs

DOWN 108 JOBS IN 2018 -1%

Government wages made up 34% of all regional employment earnings ($777 million) and 29% of the region's jobs (13,147) in 2018.

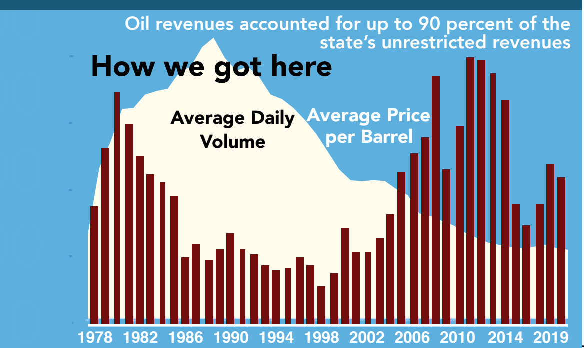
STATE GOVERNMENT LOSSES

State government employment and spending have continued to decline, significantly impacting the regional economy. In Southeast Alaska, 12% of all direct wages come from the state (down from 15% in 2011). State jobs have declined for seven years in a row. Historically, oil paid for up to 90% of the state budget; today, oil covers about 30 percent. Total tourism wages are on track to surpass total state wages in 2019.

STATE BUDGET CHALLENGE

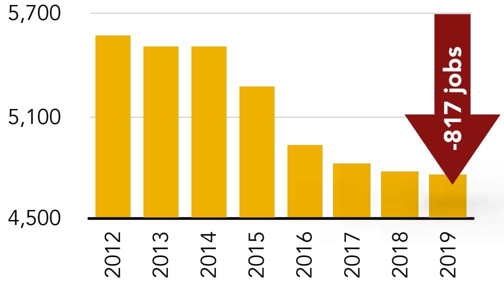
Alaska is now only America's sixth-largest oil-producing state. Declining oil production and prices devastated the State of Alaska budget. The state has operated in deficit mode for the past six years, using more than $16 billion in savings to cover budget gaps.

Avg. Daily Volume of the Trans Alaska Pipeline System and Inflation Adjusted Price Per Barrel, 1978-2019



Southeast State Jobs

State jobs in the region are down for the 7th year in a row, for a total of 817 jobs lost since 2012, ***a decline of 15%***



In February 2019, the governor proposed a plan to reign in spending by making $1.6 billion in cost reductions to the operating budget, with the bulk of the savings realized through cuts to ferries, health care, the University of Alaska, K-12 education, seniors, and creating a cost shift from the state to municipalities. Absent from the plan to balance the budget were reduced tax credits to oil companies ($1.2 billion in FY19); reduced Permanent Fund Dividend payments (a full PFD payment and repayment of previously capped dividends would cost $4.3 billion); or consideration of taxes. (See page 18 for budget survey results). The ensuing disagreement over how best to balance the budget, along with the controversial use of line item vetoes, has created an atmosphere of deep political and economic uncertainty in the region.

FEDERAL GOVERNMENT

Federal government employment losses are compounding state job cuts, but appear to have stabilized. Since 2005, federal employment in the region has fallen by 600 jobs (28%) worth $50 million in annual wages.

LOCAL GOVERNMENT

Local entities across the region are having to provide new programs and services the state has cut, resulting in financial complications and resulting in the loss of 84 municipal jobs across the region. Despite these challenges, local government jobs are poised to grow slightly in 2019. Tribal government, which includes 18 entities in the region, added 24 jobs in 2018.

GOVERNMENT OUTLOOK

Early job reports from 2019 are somewhat positive. In the first half of 2019, only 14 additional state jobs were lost, local government jobs have grown by 2%, and federal jobs are up by 1% as well.

While legislation restructuring the $66 billion Alaska Permanent Fund passed in 2018, allowing lawmakers to use a portion of fund earnings to pay for state services and stabilize the state budget, these funds remain in limbo as the budget fight continues. The permanent fund is now more important to the budget than the oil industry, and all other taxes combined. But until a sustainable budget pathway is agreed upon and implemented, the region's economic outlook will remain uncertain.

Sources: ADOL 2018 Employment and Wage data; Alaska Department of Revenue. **Photo Credit:** Juneau Empire.

DEMOGRAPHICS

Population 72,876

Population Change 2014 to 2018

	2014	2018	Change
Juneau Borough	33,000	32,247	-773
Ketchikan Borough	13,889	13,843	-29
Sitka Borough	9,066	8,652	-433
Petersburg Borough	3,198	3,198	-9
Haines Borough	2,551	2,480	-70
Wrangell Borough	2,413	2,426	11
Metlakatla	1,446	1,398	-49
Craig	1,205	1,095	-112
Skagway Borough	1,038	1,088	109
Klawock	803	777	-28
Hoonah	786	789	1
Kake	627	601	-26
Yakutat Borough	623	523	-109
Gustavus	518	554	35
Thorne Bay	530	524	-8
Angoon	420	410	-10
Hydaburg	407	398	-9
Coffman Cove	175	168	-8
Tenakee Springs	129	144	17
Hollis	93	124	31
Naukati Bay	120	124	4
Klukwan	84	94	10
Hyder	91	80	-13
Kasaan	76	81	8
Pelican	77	68	-9
Port Alexander	45	55	10
Edna Bay	47	43	-4
Whale Pass	38	57	17
Port Protection	56	31	-24
Game Creek	18	18	0
Elfin Cove	16	12	-4
Point Baker	12	13	0
Remainder	835	761	-168
Total	**74,432**	**72,876**	**-1,642**

2018 marked the 4th straight year of regional population decline in Southeast Alaska, but the net loss of 80 people was just a fraction of those seen in previous years. Half of the communities in the regions experienced gains in 2019, including the boroughs of Ketchikan, Petersburg, Haines, and Wrangell. In general, population losses last year were relatively small. While some communities on Prince of Wales Island, like Klawock and Coffman Cove, experienced dramatic population changes, the island population as a whole declined by 2%.

The leveling out of losses comes as relief to the region. Between 2014 and 2018, Southeast Alaska's population decreased by 1,642. The losses were region-wide, with six of eight boroughs reporting population declines. The boroughs of Skagway and Wrangell grew by 11% and less than one percent, respectively, during that period.

Juneau is the Loss Leader

Population losses were most significant in Juneau. Dramatic cuts in state employment contributed to a reduction of nearly 900 residents in the capital city over the past three years. Juneau's losses also abated in 2018, with a decline of just 55 people.

Migration

More people moved away from Southeast than moved here in 2018, but natural increases helped reduce the impact of outmigration. In 2018, there were 255 more births than deaths, while 335 more people moved out of the region than moved in.

Aging Continues

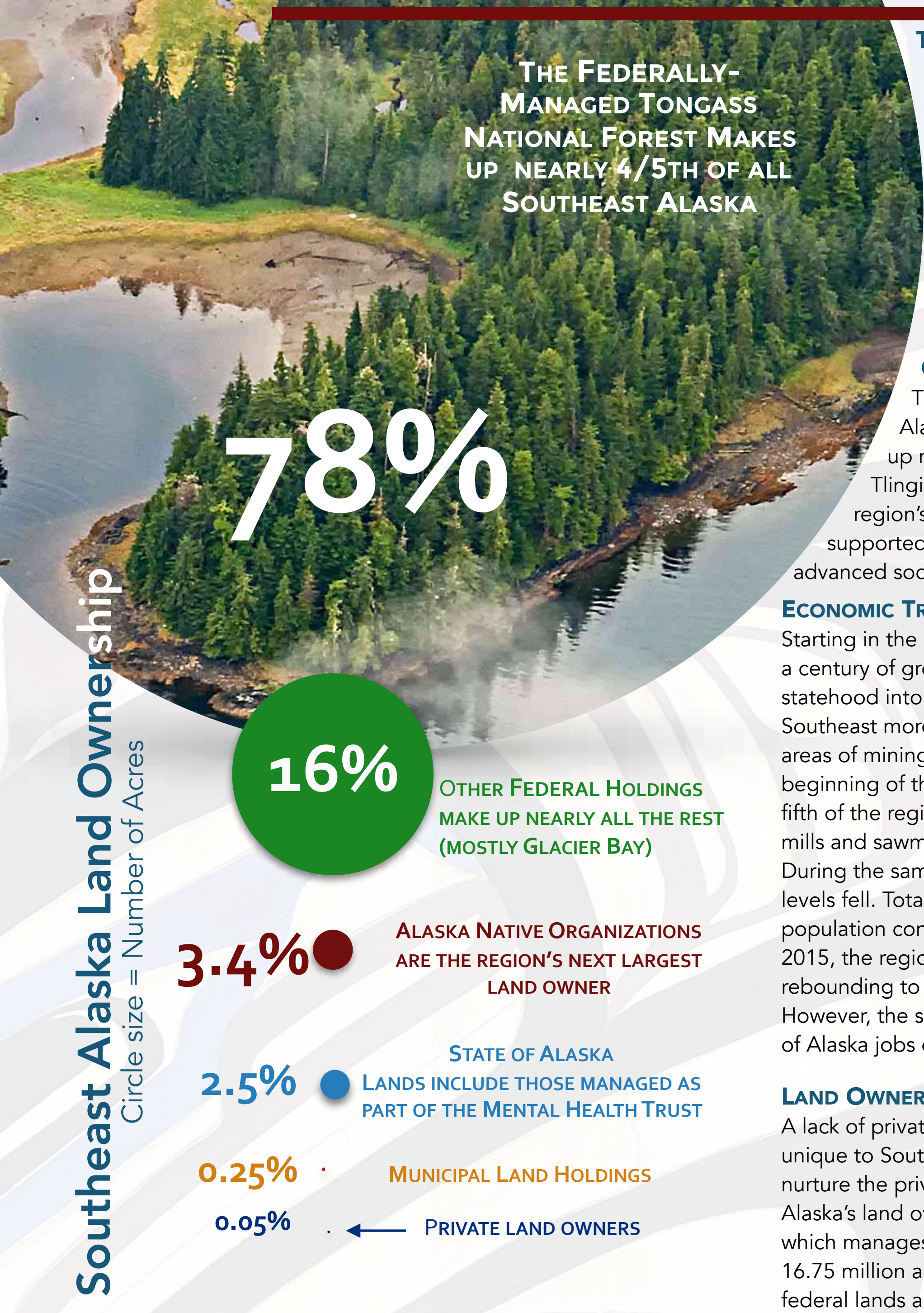
Since 2010, the most pronounced demographic shift has been aging of the population. During that period, the 60-plus population grew by 5,000 people, a 42% increase over 2010 due to aging in place. Nearly a quarter of people in the region are now age 60 or older. In Haines, Wrangell, and the Hoonah-Angoon census area, where the averages ages are 48.6, 48, and 46.8, respectively, it is nearly one-third. The average age of Southeast as a whole is 39.9. Juneau is comparatively the youngest community in the region.

Population Outlook

Population losses appear to have leveled out, but uncertainty regarding the state funding cuts makes it hard to project future changes. As long as the state continues to make fiscal reductions, these will continue to be paired with population declines.

Sources: Alaska Department of Labor (ADOL); ADOL Southeast Alaska Population by Age, Sex and Borough/Census Area, 2010 to 2018; Alaska Population Projections.
Photography credit: Debbie Hart.

SOUTHEAST ALASKA REGIONAL OVERVIEW



Sources: Personal communications with State of Alaska; US Forest Service; Sealaska. *Economies in transition: An assessment of trends relevant to management of the Tongass National Forest, USDA 1998.* **Image Credits:** Misty Fjords Shutterstock image 68855041. Canoe by Annie Caufield. Background image carving by Mike Dangeli.

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 saltwater shoreline of Southeast Alaska totals 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 (23%) 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 and rich artwork.

Economic Trends

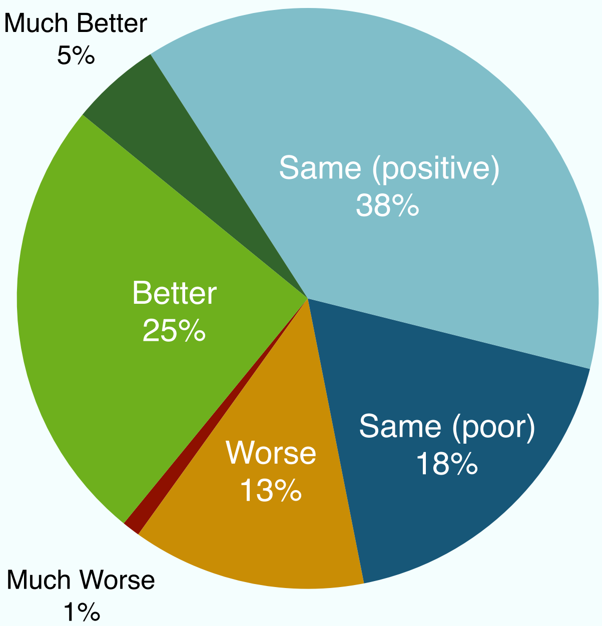
Starting in the 1880s, the economy of Southeast Alaska experienced a century of growth that intensified after statehood in 1959. From statehood into the 1990s, population and employment levels in Southeast more than doubled as the workforce expanded in the areas of mining, government, fishing, tourism, 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. The population continued to decline through 2007. Between 2008 and 2015, the region experienced a significant economic recovery, rebounding to record numbers of jobs, wages, and residents. However, the state budget crisis and the loss of more than 800 State of Alaska jobs changed the economic trajectory of the region.

Land Ownership

A lack of privately-owned land and land available for development is unique to Southeast Alaska and impacts 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 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 land base. In 2017, communities received nearly $19 million in federal Payment In Lieu of Taxes and Secure Rural Schools funding to compensate for federal ownership of the regional land base.

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 April of 2019, 320 Southeast Alaska business owners and top managers from 25 communities responded to Southeast Conference's Business Climate and Private Investment Survey.

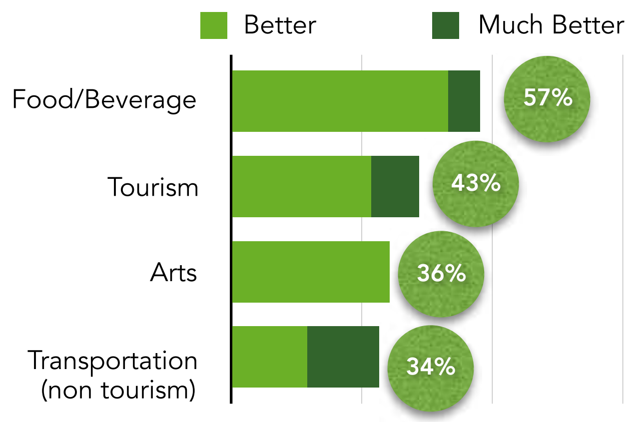
Southeast Alaska Economic Outlook

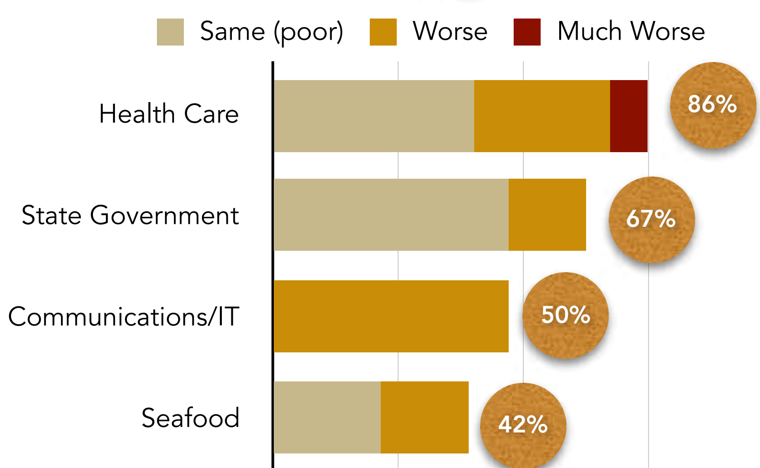
Southeast Alaska business leaders overall have a similar outlook looking forward that they did a year ago. More than half (56%) of survey respondents expect their prospects to remain status quo, 30% expect their prospects to improve in the coming year, and 14% expect decline. This represents a one percent increase in overall positive outlook over last year, but a three percent increase in those who feel the outlook is "much better" than it was the year before.

Businesses in Hoonah, Gustavus, and Skagway reported the outlooks that are most likely to improve — more than 50% of business leaders in each of those communities said that they expect the economic outlook to be better or much better in the next 12 month. Petersburg leaders reported the most deteriorating economic outlook. The food and beverage, and tourism industries reported the most improving outlooks by industry, with more than 40% of respondents foreseeing improvement. The least optimistic sector was the health care industry; 43% of respondents expect that industry to worsen.

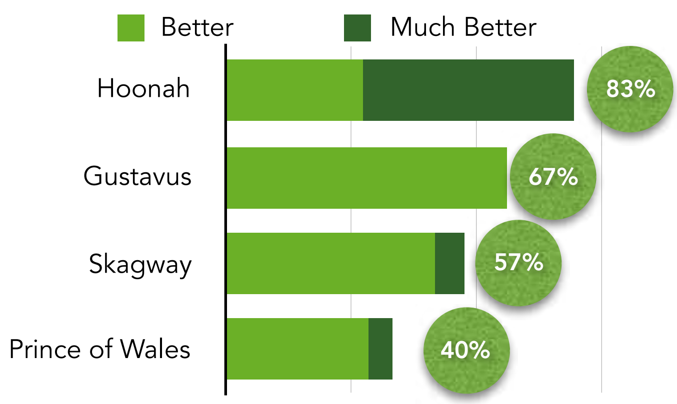
What is the economic outlook for your business or industry compared to last year?

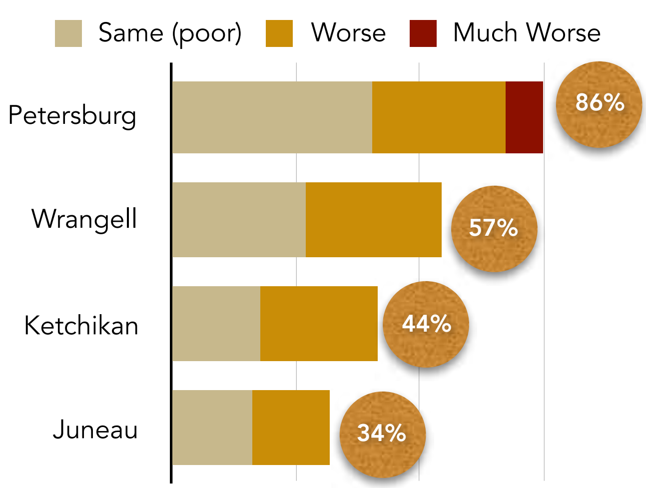
By Industry





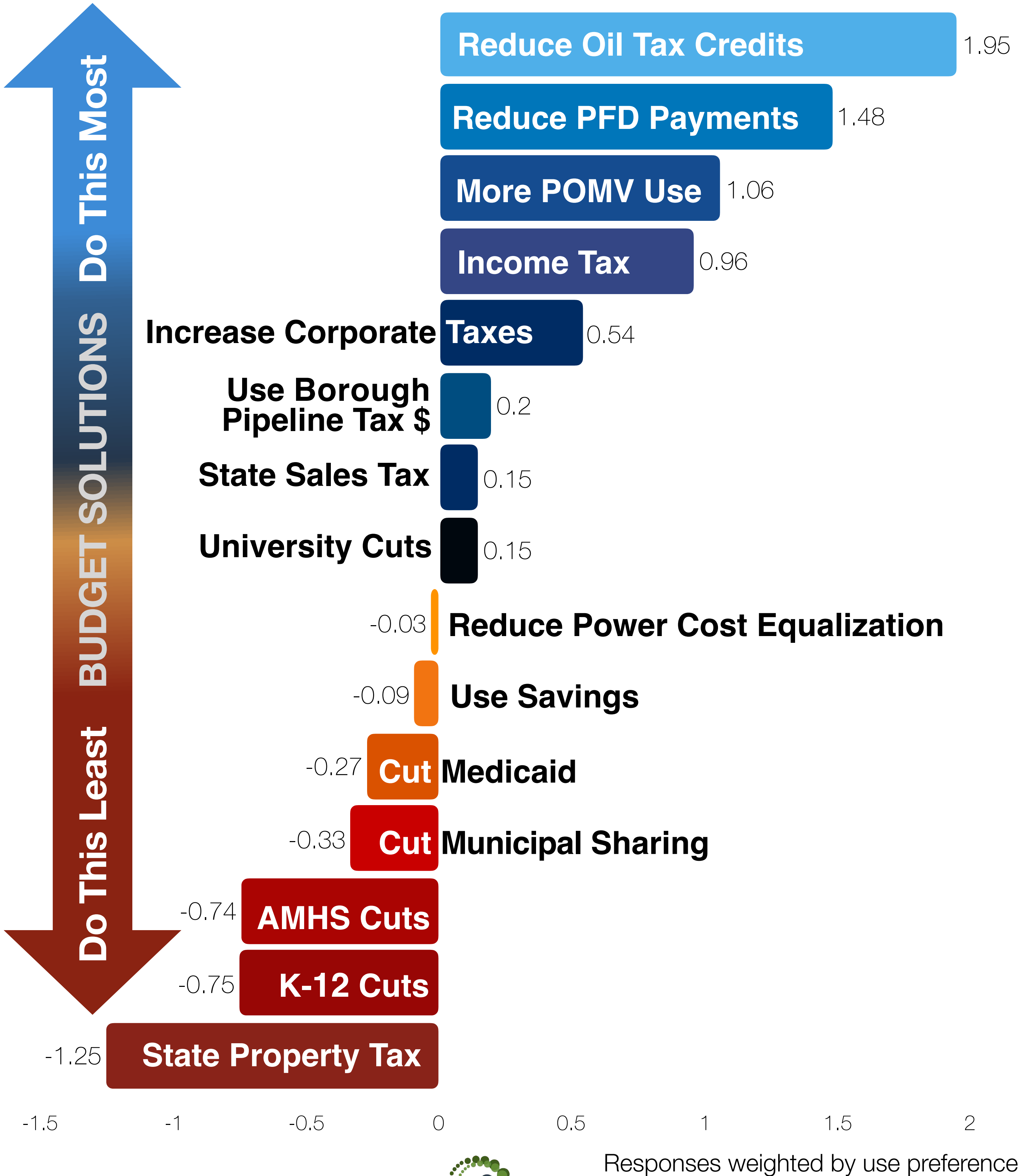
By Community





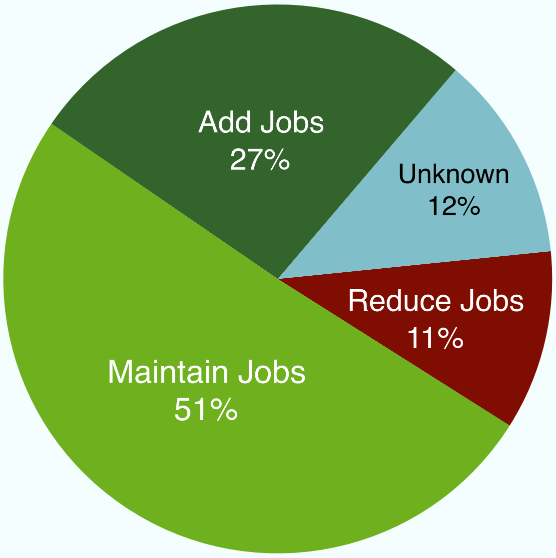
Southeast Businesses **Budget Findings**

Southeast Conference asked **320** Southeast business owners and top managers in **25** regional communities how they would like to see the state achieve a balanced budget. This is an overall ranking of their responses.



Adding **Jobs in 2019 and 2020**

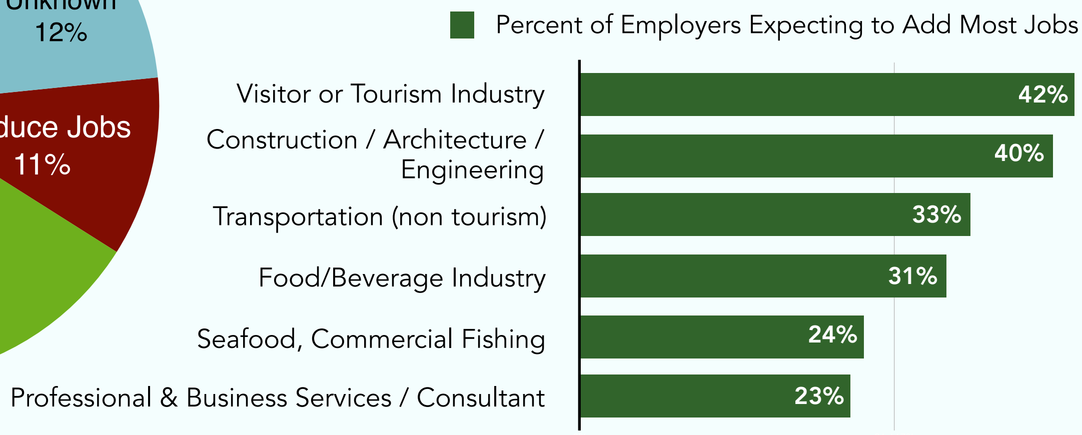
Over the next year, do you expect your organization to add jobs, maintain jobs, reduce jobs, or are you unsure?



Hiring in the Next Year

A new question added to the survey this year was regarding hiring expectations over the next year. More than a quarter of the 320 business leaders surveyed expect to add jobs to their businesses over the next 12 months, while 51% expect to maintain total jobs, and 11% expect to reduce total employees. The largest gains are expected in the visitor industry, where a staggering 42% of respondents expect to increase their total staff in the upcoming year. The arts, IT, financial, and real estate sectors project the smallest worker increases.

Analyzed by community, Skagway employers expect the most significant job gains. Juneau and Petersburg are the least likely to add jobs next year.



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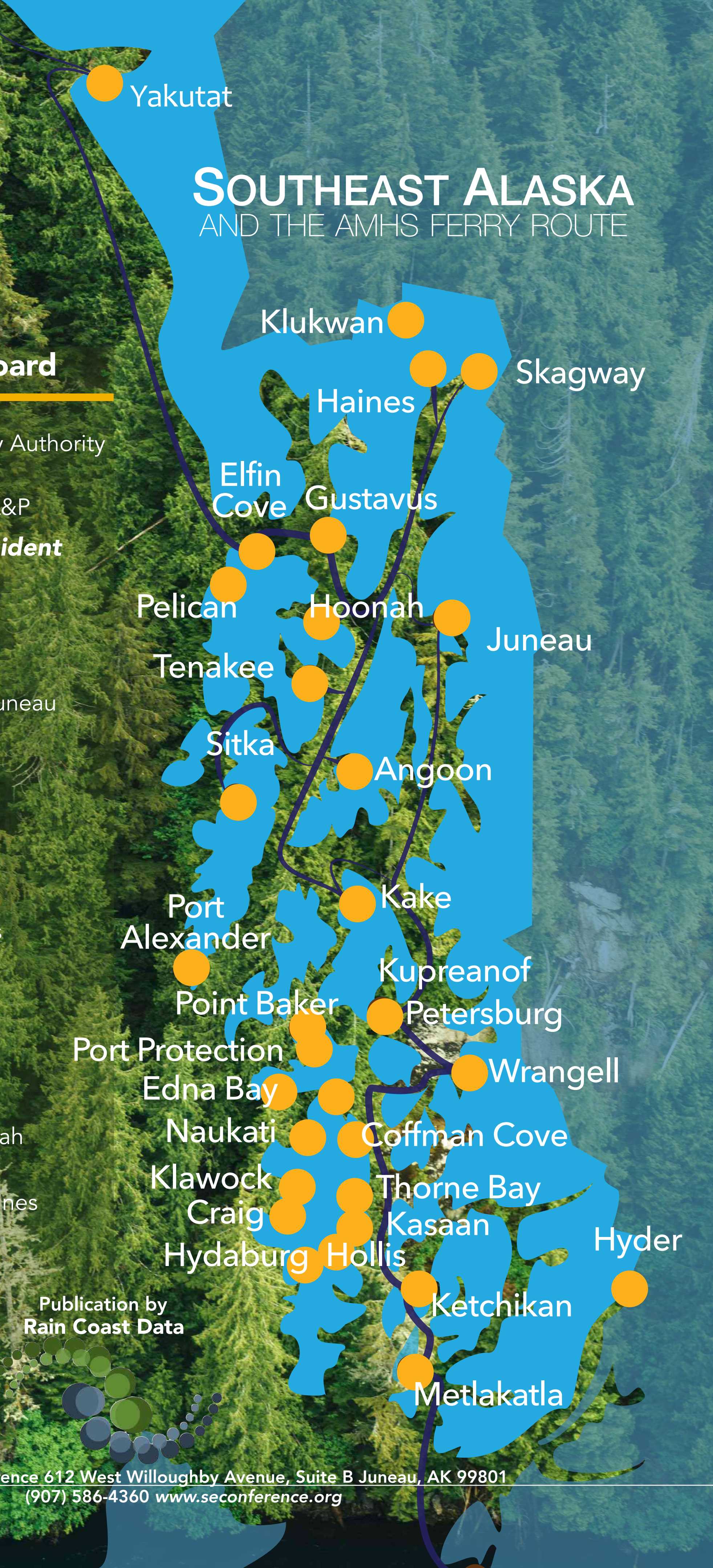

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