

Southcentral Alaska: An Economic Description

by

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SOUTHCENTRAL ALASKA: AN ECONOMIC DESCRIPTION

Executive Summary

The Southcentral economy consists of the city of Anchorage and the adjoining Matanuska-Susitna and Kenai Peninsula Boroughs. With about 40 percent of the population of Alaska (238,000), Anchorage is the commercial center of the state. Expansion of the city in the 1980s overflowed to the north, transforming the Matanuska-Susitna Borough (with a population of 42,000) into an extension of the Anchorage market. The Kenai Peninsula's economic base is primarily petroleum, fishing, and tourism--making its 41,000 residents depend less directly on Anchorage.

Snapshot of the Regional Economy

Anchorage employment in 1991 was 122,000, including active duty military. The important activities that support the economy include the following: **Petroleum**--headquarters for development and production (currently 1.8 million barrels of oil daily) on the North Slope and Cook Inlet in the Kenai Peninsula Borough, as well as home for many of the workers on the North Slope. **Military**--two military bases (Elmendorf Airforce Base and Fort Richardson Army Base) with 11,000 active duty personnel. **Federal Government**--the Department of Interior provides management of the 60 percent of Alaska lands owned by the federal government and the Department of Defense supports military operations. **Tourism and Air Transportation**--Anchorage hosts two-thirds of the 425,000 tourists who visit the state annually and the International Airport services both passenger and air freight traffic between the U.S., Europe, and the Far East. **Commercial Center**--54 percent of trade receipts, 69 percent of service receipts, headquarters for most banks, and transportation and construction center for much of the state. **State Government**--supported largely by petroleum

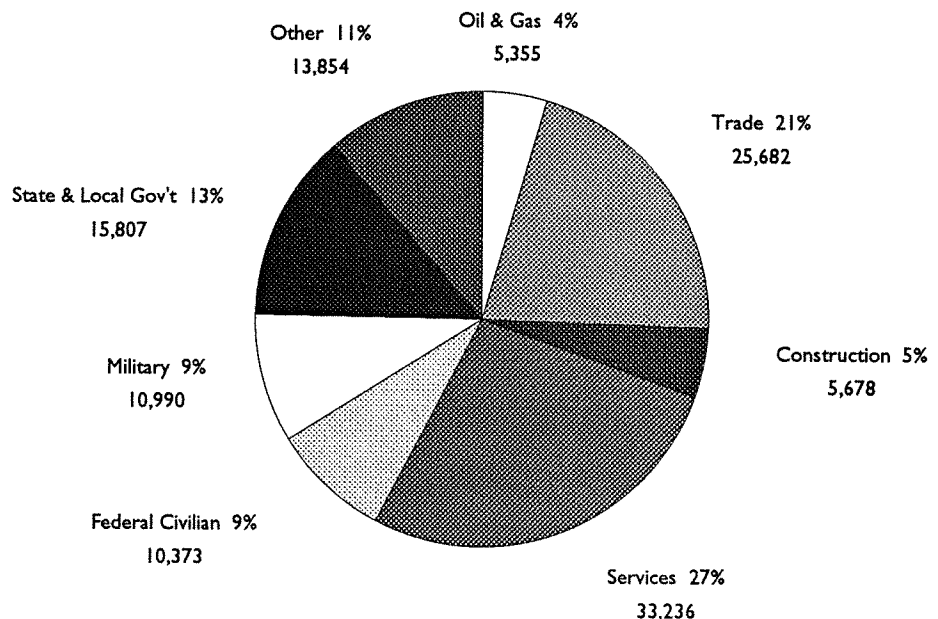
revenues, state government is an important employer in Alaska, and Anchorage has the largest concentration of state employees. (Figure 1.)

Anchorage residents enjoy a high per capita income (at \$25,000 it was about 30 percent above the national average in 1990) and a high mean household income (\$67,000 in 1990). (Figure 2.) Factors contributing to the high overall income include high average wages in several important industries such as petroleum and construction, a relatively high proportion of professional and technical jobs, a relatively small population over 65, and a high labor force participation rate. Purchasing power is enhanced by the absence of state or local income or sales taxes and the annual Permanent Fund dividend each resident receives from the state (\$934 in 1991).

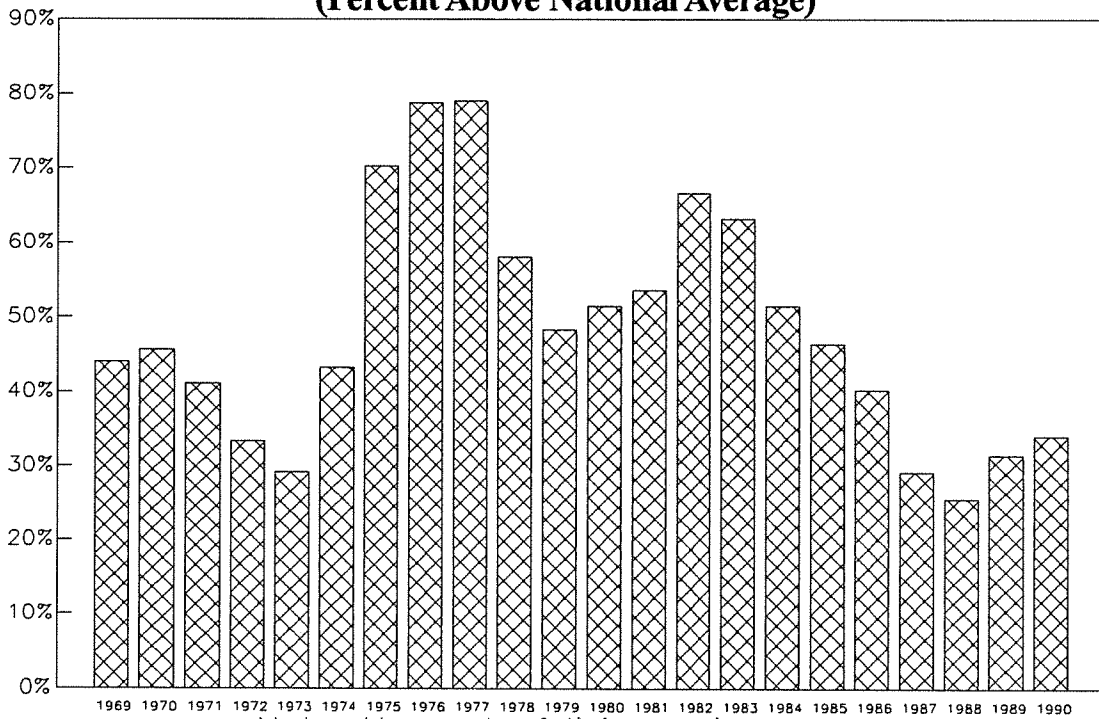
The cost of living in Anchorage has historically been higher than in the rest of the country, but that only partly explains the higher wages and incomes. Furthermore, the differential has narrowed a great deal in recent years with improved transportation, increased population, bigger markets, and other factors. (Figure 3.)

The 7,700 jobs in the Matanuska-Susitna Borough are largely in trade and services in support of resident

Figure 1. Anchorage 1990 Employment by Type

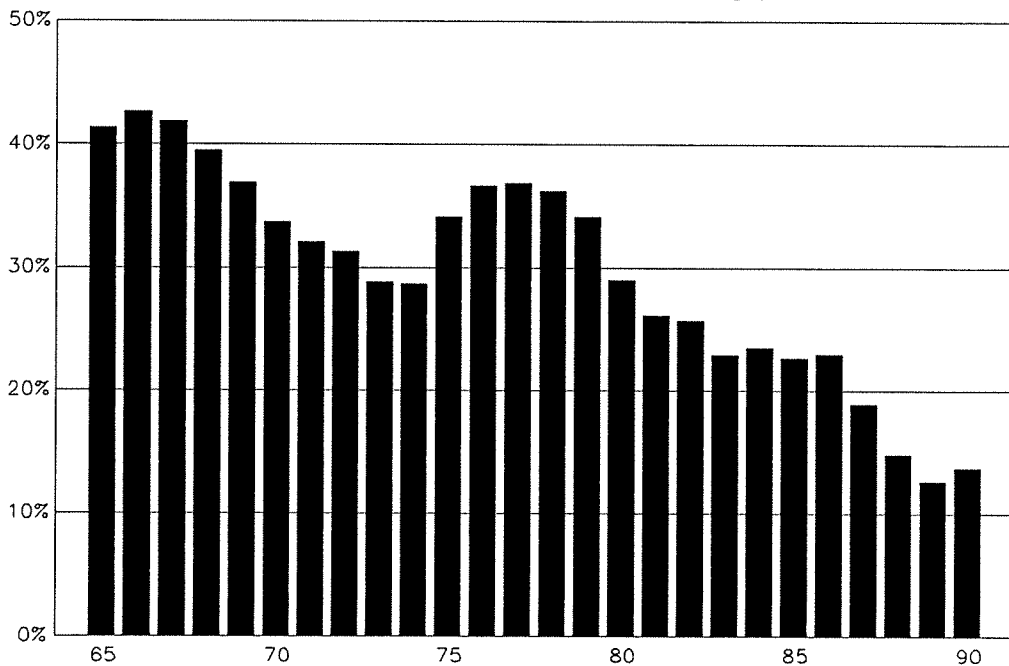


**Figure 2. Anchorage Per Capita Income
(Percent Above National Average)**



Note: No cost of living adjustment.

**Figure 3. Anchorage Cost of Living
(Percent Above National Average)**



SOURCE: US DEPT OF COMMERCE & ISER

households. Two-thirds of the economic base is provided by daily commuters to Anchorage and residents working at other jobs sites around the state. The 14,000 jobs in the Kenai Peninsula Borough are based on the activities of the petroleum, fishing, and tourism industries since the transportation links to Anchorage do not allow commuting on a daily basis.

Recent Trends

Anchorage population has nearly tripled since Alaska became a state in 1959. In the process Anchorage has been transformed from a frontier town to a modern city. The petroleum industry supplanted the military as the dominant basic industry in the community. Together with specific government policies fostering economic development, growth of the petroleum industry led to growth in household income and population stability. Trade, services, and finance support industries have grown enormously as Anchorage gradually replaced Seattle as the supply center for most of Alaska.

Economic growth has been punctuated by cycles of booms and slowdowns typical of economies dominated by resource extraction and government activities. During the period from 1980 to 1985 more than 30,000 jobs were added in Anchorage (a nearly 40 percent increase) and nearly one-third of Anchorage's current housing stock

was built. (Figure 4.) This rapid growth was due to high oil prices, which created a boom in the petroleum industry and--more important--led to rapid expansion of state and local government spending. This increased spending on public infrastructure, subsidies for housing, expanded operations, cash transfers to individuals, and more was financed by taxes and royalties on petroleum production.

Because it was caused primarily by accelerating growth of government spending, the boom was not sustainable and the economy slipped into a recession in late 1985. That slowdown was exacerbated when oil prices crashed in early 1986. This led to a cutback of petroleum activity and a reduction of \$1 billion in the state budget. Anchorage lost 13,000 jobs--nearly 10 percent of all jobs in the city--between 1985 and 1988, and about 10 percent of the population left. Thousands of property owners went into default on their loans, and several of the city's largest banks went under. Housing prices crashed--prices of single-family houses by about 25 percent and condominium prices by 50 percent.

The recovery began in 1989 and three years of growth have followed, largely because of three factors: clean-up of the 1989 Exxon Valdez oil spill, a series of good seafood harvests, and a temporary increase in the price of oil caused by the Iraqi invasion of Kuwait. The

**Figure 4. Anchorage Wage and Salary Employment
Seasonally Adjusted Moving Average (thousands)**

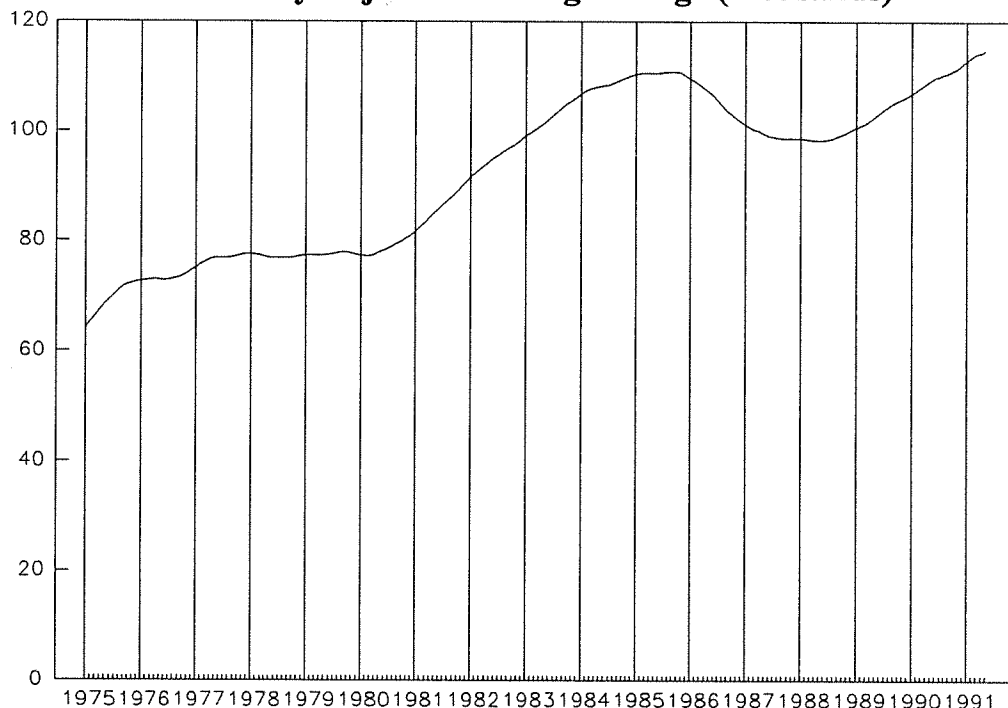
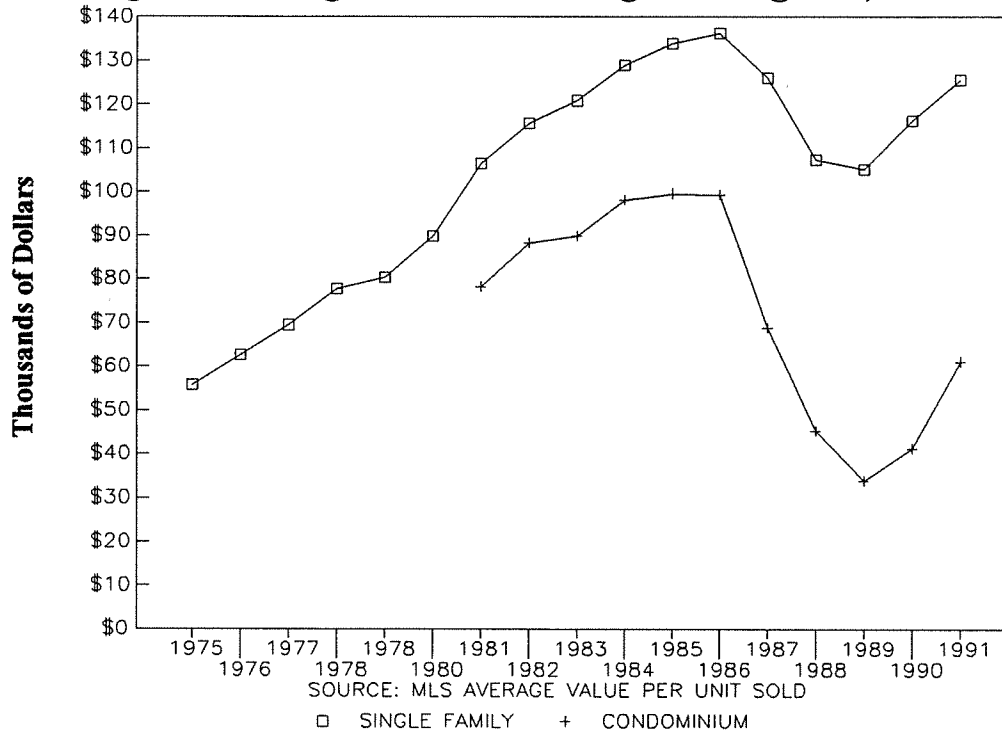


Figure 5. Average Price of Anchorage Housing Sold, 1975 - 1991



number of jobs is now higher than it was at the start of the recession. Housing prices have increased, but have not yet returned to their pre-recession levels. (Figure 5.)

Economic growth slowed down over the past year as those factors lost their momentum, but the economy continues to add jobs.

The Future

For the foreseeable future, Alaska's—and therefore also Anchorage's—economy will continue to be dominated by commodity producing industries, augmented by tourism and the military. Petroleum, mining, and tourism have the most potential for growth. Anchorage's economic growth will be slower than in the past since the structure of the economy has now matured and income from petroleum will slowly decline through the decade.

Petroleum will continue to dominate, even though North Slope oil production has begun a decline projected to average 7 percent annually through this decade as production from the Prudhoe Bay field tapers off. Activity will center around enhanced recovery and development of smaller fields. Two very large potential projects, development of oil in the Arctic National Wildlife Refuge (ANWR) and marketing of the huge reserves of natural gas on the North Slope, are unlikely to generate significant activity this decade.

Alaska's reliance on resource industries means the economy will continue to be subject to cycles emanating from those industries. The future of the military in Anchorage is uncertain, as cuts in Department of Defense budgets in coming years could either decrease or increase the military presence in the city.

A larger uncertainty for the Alaska economy is how the state will handle declining oil revenues. The state operated with a deficit of several hundred million dollars in fiscal year 1992, and deficits are projected for future years as well. With 85 percent of state general fund revenue contributed by petroleum and state government spending a major force in the economy, declining oil production will be a burden for the economy.

Fortunately, Alaska has the resources to make a successful transition to less oil money. In addition to high personal incomes, low taxes on individuals and businesses, and a potential for continued growth in several industries, Alaska has a conservatively invested \$13 billion Permanent Fund generating substantial earnings.

However, state government inaction in the face of the need to cut spending to a sustainable level could precipitate a recession. That could happen if a sharp drop in oil prices forced a sudden and unanticipated large budget cut. Because the need for fiscal restraint is generally understood, a recession brought about this way would be less severe than the one during the late 1980s.

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Introduction and Overview of the Economy

Alaska covers 375 million acres and includes everything from rain forests to permanently frozen ground. Its southernmost point lies hundreds of miles north of the other states, and it was only 50 years ago that construction of the Alaska Highway made it possible to reach Alaska overland. Within the state, the vast distances and rugged terrain mean that most of the remote places are still accessible only by air or water.

Just over half a million people live in Alaska. More than 40 percent live in Anchorage. If we add the adjacent boroughs—Kenai Peninsula to the south and Matanuska-Susitna to the north—close to 60 percent of Alaskans live in less than 10 percent of Alaska's land area (See Maps 1 and 2.)

Many Alaskans outside the Southcentral region live in Fairbanks in the Interior or Juneau in Southeast. The rest make their homes in a handful of cities and towns with populations of a few thousand, and in small villages scattered throughout the state.

Anchorage, a city of close to 250,000, is the center of commercial activity for Alaska. It is located on Cook Inlet, 1,400 miles north of Seattle—on the same latitude

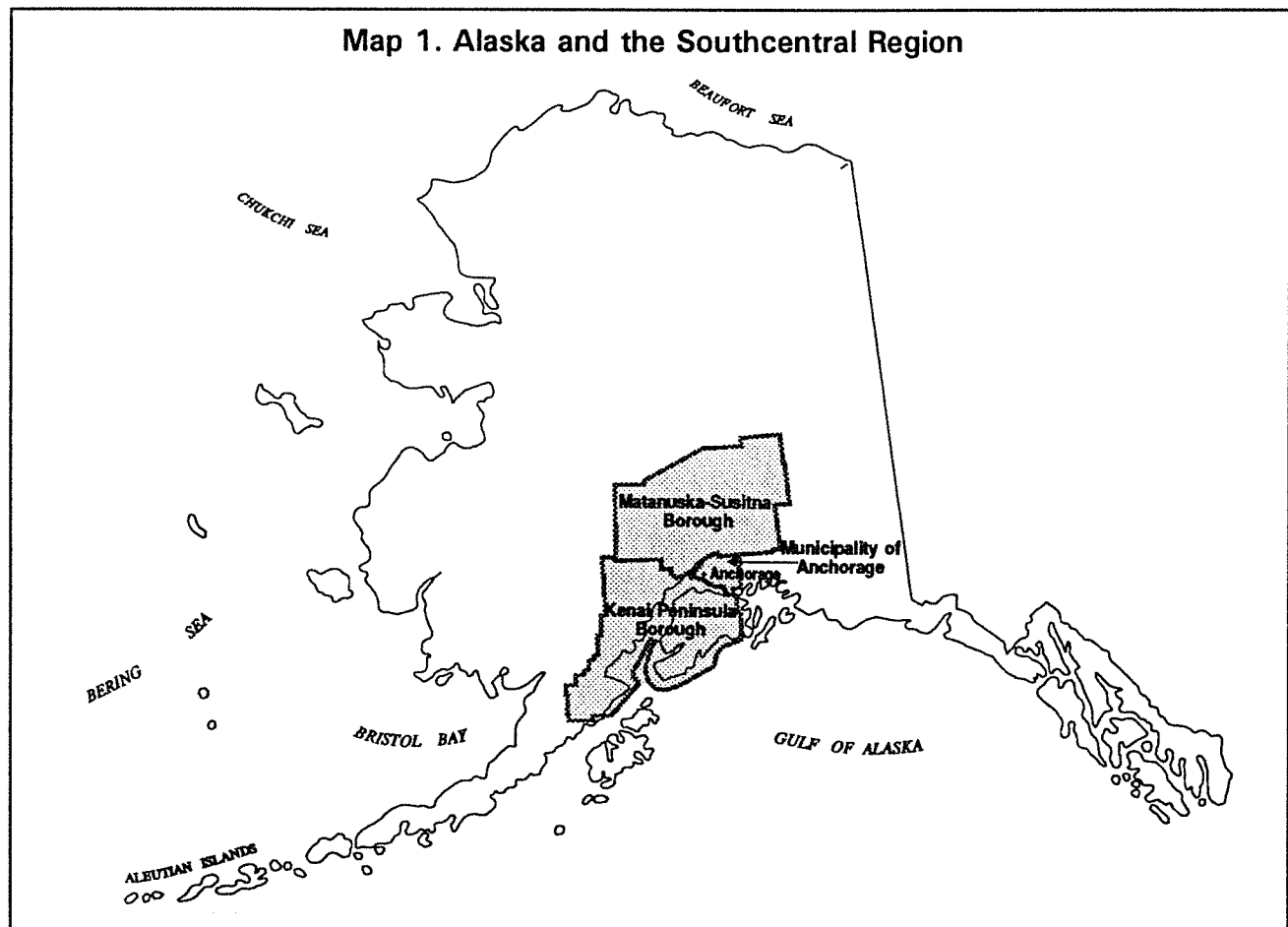
as Oslo, Norway—and enjoys a climate moderated by the ocean. Anchorage is a new city, established only in 1915 as a base for construction of the Alaska Railroad. Although it grew with military presence during World War II, it was only after Alaska became a state in 1959 that Anchorage began to take its present form.

Because so much of Alaska's population is concentrated in Anchorage, and because it provides support services for much of the state, virtually anything that affects the Alaska economy affects Anchorage in one way or another. Several features of the Alaska economy make it different from that of other states:

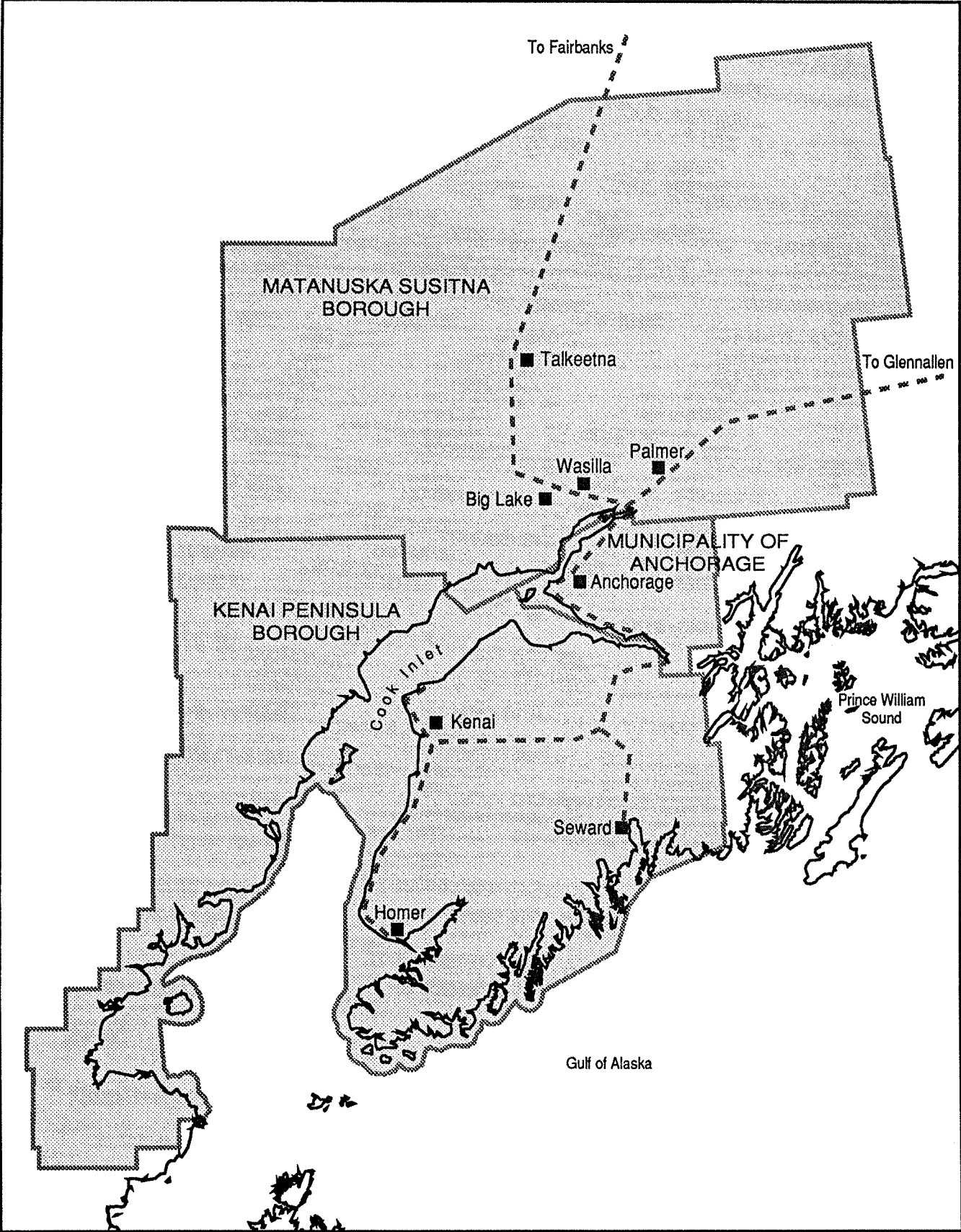
- *Only in the past 30 years has Alaska's infrastructure developed.* Before Alaska became a state in 1959, the economy was dominated by the federal government and private companies based in Seattle and interested only in quick profits. Little economic infrastructure existed beyond what was necessary to support the military and to exploit the seafood, timber, and mineral resources of the state. The absence of infrastructure meant that the cost of business was extremely high.

A major theme in the evolution of the state has been putting in place the infrastructure and the support services to reduce costs and make economic develop-

Map 1. Alaska and the Southcentral Region



Map 2. Southcentral Alaska



ment possible. Building the infrastructure has been the job of the construction industry, which has historically had a prominent role in the economy. Costs in Alaska are still often higher than in other states, but the differential has been declining and is much smaller than it used to be—particularly in cities, where existing infrastructure now matches that in other U.S. towns.

• *Alaska's economy is dominated by resource extraction and primary processing, augmented by intangible exports—military bases and tourism.* That economic structure results from Alaska's higher costs of business, small local market size, and distance from markets. Furthermore, the high costs and the severity of the seasons have dictated that only very large or very rich resource deposits are economically attractive to developers. Developers expect a high return when they take the risks of building mines or drilling wells or making other investments in a frontier region.

Alaska's dependence on resource extraction leads to booms and busts in the economy, since resource markets go through up and down cycles. High business costs explain the relative absence of manufacturing in Alaska.

• *Only in recent decades have more residents put down roots in Alaska.* In the past many people who came to Alaska came only for short-term jobs and did not think of it as home. When Alaska became a state, one out of two jobs were federal jobs, mostly with the military. People were posted to Alaska for a tour of duty and then returned to the Lower 48 states. The cost of living adjustment that federal employees are still paid in Alaska is in part a vestige of this view of Alaska as a foreign or hardship post.

The season for most industries from construction to seafood harvesting to mining was seasonal, and the work force was recruited in Seattle. Wages tended to be high, but workers generally left their families behind.

As the state has developed and institutions evolved, that situation has changed. The population has become more stable. There is still a considerable turnover in the population each year as people come and go, but the average age of the population is approaching the national average. Non-residents still hold many of the seasonal jobs, but as the seasons in these industries stretch out, and the relative importance of these seasonal industries declines, non-resident employment has become less important. More families have put down roots in the urban communities like Anchorage and consider Alaska home. Workers temporarily posted to Anchorage require less incentive to move to the city because it now has the same public and private amenities as other U.S. cities.

• *Almost all the land and consequently the resources of the state are owned by government or by the Native corporations.*

Before Alaska became a state, the federal government owned virtually all the land. When Alaska joined the union in 1959, the federal government granted the new state government the right to select 104 million acres (or about 28 percent of all land in Alaska) to provide a basis for economic development.

In 1971, the federal government settled the aboriginal claims of Alaska's Native peoples by awarding them 44 million acres (or about 11 percent of Alaska lands) and \$1 billion. The Alaska Native Claims Settlement Act required the establishment of business corporations to manage the land and the money. The Native corporations have become leading institutions in the economic development of the state's natural resources. Some have been much more successful than others, depending on the resources they own, the quality of management, and other factors. The regional corporation in the Anchorage area, Cook Inlet Region Incorporated, has enjoyed substantial success.

The federal government kept about 225 million acres, or 60 percent of Alaska lands. Most federal land (more than 150 million acres) is in national parks, forests, wildlife refuges, and other parts of the national conservation system. The rest of federal land is in public domain and military reserves.

The remaining 1 or 2 percent of Alaska land is owned by individuals or by municipalities and boroughs.

This ownership pattern—with most land and resources in the hands of government or Native corporations—has several effects. The most obvious consequence to date results from state ownership of the rich North Slope oil fields. That ownership has meant tens of billions of dollars in royalties and taxes for the state government over the past 15 years. Had the state not collected that money, much of it would likely have bypassed the Alaska economy and gone to oil companies and others outside the state. Instead, the state government spent its oil wealth in Alaska and created unprecedented economic activity.

More broadly speaking, management of public resources is an important activity of both the federal and state governments in Alaska. Politics tend to enter into decisions about development of resources, and the deliberations leading up to those decisions can be protracted. Disputes regarding land status can slow development. Recent court suits brought by the state against the federal government regarding the prohibition of oil drilling in the Arctic National Wildlife Refuge (ANWR), and the ban on exports of North Slope oil, are just two of the recent manifestations of these disputes.

Because resources are publicly owned, it is not only the efficient development of the resources that becomes an issue but also the equitable distribution of the economic returns from development. When the resources are particularly valuable—as is the case with oil and fish—a considerable effort goes into attempting to redistribute the shares. Disputes between the federal and state government over petroleum royalties; disputes among subsistence, commercial, and recreational fishermen over shares of the harvest; and disputes among the Native corporations over the distribution of shared resource profits are examples of such fights over the distribution of resources. Such behavior is almost an industry in itself in Alaska.

• *Alaska is not one but rather four distinct economies:*

The *railbelt economy* is in the region along the route of the Alaska Railroad—from Seward on the Kenai Peninsula to Fairbanks in the Interior. Anchorage is the dominant city in that economy. The railbelt is the most integrated and developed part of the state.

The *maritime economy* consists of those small communities (with populations of roughly 4,000 to 20,000) off the road system and on or near the water in Southeast and Southcentral Alaska. They depend primarily on a single industry—mostly fishing—for their livelihoods. Some also have forestry, mining, government, or tourism to diversify their economic bases. These communities are accessible only by air or water and provide a narrow range of services. Communities in the Southeast tend to continue to look to Seattle as a commercial center and those in Southcentral generally look to Anchorage.

The *North Slope economy* has as its base the main petroleum producing region of the state, which is also the main industrial zone. The region is home to the Inupiat Eskimos, who live mainly in Barrow and a handful of smaller communities. They have been able, through formation of the North Slope Borough, to tax the Prudhoe Bay facilities and thereby collect hundreds of millions of dollars. Much of that money has gone into development of water and sewer systems, schools, and other public infrastructure in North Slope villages.

The *Interior economy* includes the rest of the state. It is composed of widely scattered, relatively isolated small communities that have, with few exceptions, little real economic base. Most of these communities are not on the road network but are accessible by water and air. Government is often the largest employer in these communities. A large portion of personal income comes from a variety of federal and state transfer payments. Residents of these communities are primarily Alaska Natives, many of whom depend heavily on subsistence hunting and fishing.

Industrial enclaves, most notably at Red Dog Mine in Northwest Alaska, and military installations, are at various locations in the Interior and provide a significant number of jobs at those sites. The communities of the Interior look to Anchorage and Fairbanks for most of their support activities.

With that quick look at the special features of Alaska's economy, we turn to a description of the place of basic and support sectors and government in Alaska's economy in general and Anchorage's economy in particular. *Basic sectors* are those that drive the economy by producing goods or services for export. They include not only industries that produce commodities like oil or fish or timber, but also those—like the federal government and tourism—that produce intangible but nonetheless real exports.

Support sectors are those that provide goods and services for the basic industries and in general for Alaska households and businesses. Much of the economic growth in Alaska over the past 30 years—particularly in Anchorage—has been in these industries, because before Alaska became a state there was very little local support activity.

After describing the economic sectors, we examine employment, population, income, and costs of living in Anchorage and discuss the economic bases of the Kenai Peninsula and the Mat-Su Boroughs. We close with a discussion of recent economic trends and the outlook for the future.

Basic Economic Sectors

PETROLEUM

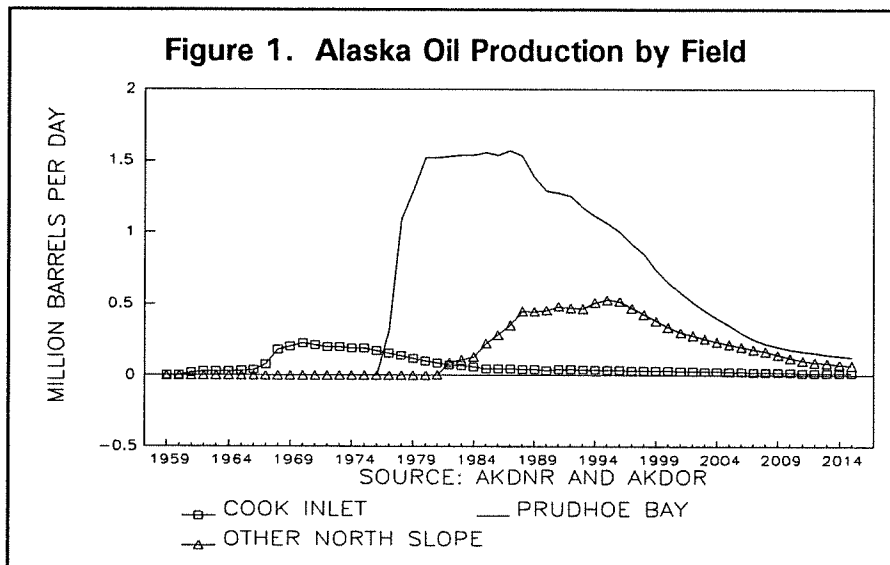
Alaska produces 1.8 million barrels of crude oil daily. That amounts to about 25 percent of total domestic U.S. production and about 2 percent of world production (Figure 1).

Most Alaska crude comes from Prudhoe Bay and smaller adjoining fields on the North Slope, about 800 miles north of Anchorage on the shore of the Beaufort Sea. Some oil is also produced in Cook Inlet, to the west and south of Anchorage.

North Slope oil is pumped through the 800-mile trans-Alaska pipeline south to Valdez on the Gulf of Alaska. From Valdez most oil is shipped by tanker to refineries in the contiguous 48 states. A small percentage of North Slope oil, as well as some of the Cook Inlet oil, is refined in the state for local consumption.

Production on the North Slope began in 1977, when the trans-Alaska oil pipeline was completed. The pipeline is operated by Alyeska Pipeline Service Company, a consortium of oil companies. When it was built,

Figure 1. Alaska Oil Production by Field



the pipeline across Alaska was the most expensive private construction project ever undertaken, costing more than \$9 billion.

Proved North Slope reserves in 1977 were 9.6 billion barrels, all located in the giant Prudhoe Bay field. Production from that field has now begun to decline, and even though four additional fields have since been developed, total North Slope production is expected to decline to one million barrels per day by 2000. Because of the addition of new fields, and the application of enhanced recovery techniques to the Prudhoe Bay field, current remaining reserves are estimated at between 4.9 and 8.7 billion barrels—even though 8.7 billion barrels have already been produced.

The oil companies consider the Arctic National Wildlife Refuge (ANWR) the best prospect for future oil discoveries in Alaska. It is to the east of the producing fields on the North Slope, near the Canadian border. Because of its status as part of the federal conservation system, ANWR is currently closed to exploration. Congress could authorize opening the refuge to exploration—but the proposed opening has been highly publicized and controversial. The amount of oil in ANWR is unknown, and could range from none to 10 billion barrels.

Production from the Cook Inlet region began about the time Alaska became a state, and 1.1 billion barrels have been extracted so far. Production from the inlet is now declining, but the oil companies have recently shown some new interest in the region.

There are also many other prospects for oil discoveries in Alaska, mostly offshore. The oil companies have done exploratory work in the Gulf of Alaska, the Beaufort Sea, and in Outer Continental Shelf (OCS) regions. There have been no commercial discoveries in those regions to date.

Alaska also produces natural gas. Cook Inlet currently dominates natural gas production in the state, producing about 300 billion cubic feet annually. More than a third of that gas is made into liquid natural gas (LNG) for export to Japan, or ammonia urea (used in fertilizer), also for export. The rest of the gas is purchased by local utilities for use in Anchorage and nearby areas, or is used by oil producers for reinjection to increase oil production.

Natural gas reserves on the North Slope are an estimated 27 trillion cubic feet. Right

now, North Slope gas is used only for reinjection to increase oil production and for generating power on the North Slope. Marketing North Slope gas requires construction of a pipeline. There are proposals to market North Slope gas, but such a venture will require sales at a volume and a price high enough to justify the billions of dollars building a gas pipeline would cost.

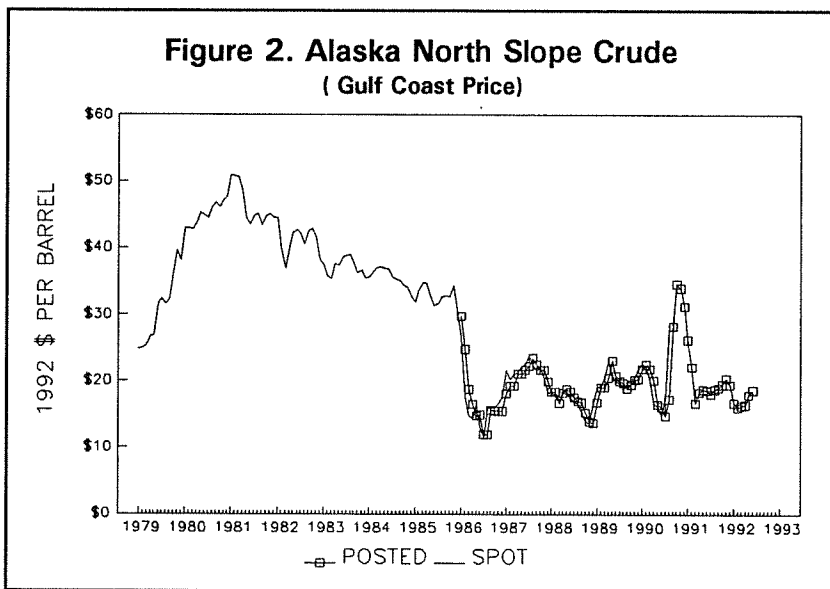
Petroleum contributes far more to Alaska's gross state product (GSP) than any other resource industry—about \$11 billion, or nearly half of all Alaska GSP, in 1989. (See Appendix A.)

There were about 10,800 jobs in oil and gas production statewide in mid-1991. The number of jobs is small relative to the high level of production—because of the large productivity of the average well (initially, about 7,000 barrels per day for Prudhoe Bay wells, compared with about 14 for the average Texas well), and because some support staff work outside the state. Field development activities create additional jobs in the construction industry. However, much of the infrastructure is fabricated outside Alaska and barged to the North Slope.

About 3,500 oil and gas jobs are on the North Slope, but almost none of those workers actually make their homes there. A majority live along the Alaska railbelt and commute to the North Slope weekly or on some other rotation schedule. Some North Slope workers live outside Alaska.

The oil companies operating in Alaska make their headquarters in Anchorage. ARCO Alaska and BP Exploration are the North Slope field operators, and they are among the largest employers in the state. There were about 5,800 oil and gas industry jobs in Anchorage in mid-1991. (See Appendix B.) Petroleum jobs are

Figure 2. Alaska North Slope Crude
(Gulf Coast Price)



the highest paid in the state, with average monthly wages of \$5,700 in mid-1991. The average monthly wage in all Alaska industries is around \$2,500.

Activity in the industry has followed cycles related both to field life cycles and the price of oil. (Figure 2.) However, because the industry in Alaska is dominated by major oil companies, activity here does not respond as directly to variations in the price of oil as it does in other states.

Through the early 1980s, activity was dominated by development of the Prudhoe Bay field and the high price of oil—which resulted in much exploration activity as well as development of other North Slope fields. The major North Slope operators and the pipeline operator are now in the process of reducing their staffs by 1,000 over a several year period. This reduction is directly related to declining production.

The State of Alaska owns the producing North Slope oil fields. Therefore the state government receives royalties on production averaging about 12 percent of wellhead value (market price net of transportation costs), and also collects production, property, and income taxes. Together taxes and royalties have exceeded \$2 billion annually in recent years, depending on the price of oil. (Figure 3.) Since North Slope production began, petroleum revenue has contributed about 85 percent of total revenues to the state general fund.

These revenues have allowed the state to expand the services it provides to Alaskans and to reduce the tax burden on other sectors of the economy.

As a result, a major influence of petroleum on the economy is government

spending of petroleum revenues. This spending supports a high level of public employment, generous public transfer programs, and large capital budgets. Such spending was higher in the early 1980s, but today the state still spends about three times the national average per capita. A lot of the economic activity generated by state spending shows up in Anchorage because it is the commercial center for the state, as well as a center for state government jobs.

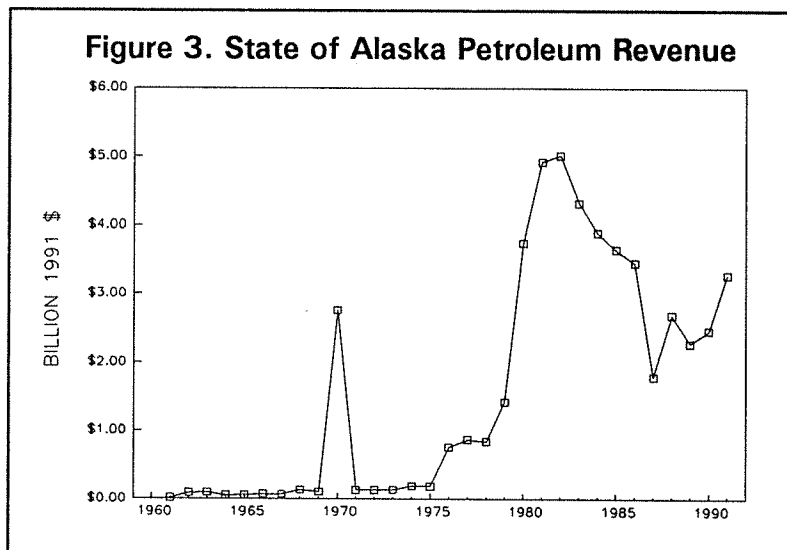
MILITARY

The U.S. military has maintained a major presence in Alaska since World War II, when the territory served as a

base for transporting aircraft to Russia and invading Japanese forces were repelled from the Aleutian Islands. At the height of the war, 152,000 military personnel were stationed in Alaska. An important legacy of this era was that the Alaska Highway was built, providing a road link between Alaska and the contiguous states. The road was built to move equipment to airbases in Alaska. Shortly after World War II, Alaska became a staging area for the Korean war and later for the Vietnam war. The military's current mission in Alaska is to be prepared to deploy rapidly anywhere in the world to protect U.S. interests.

In fiscal year 1991, the military spent \$1.4 billion in wages and salaries in Alaska, for both military personnel and civilian employees. That level of military spending made Alaska third highest in the nation in per capita spending, behind Washington D.C. and Hawaii.

Figure 3. State of Alaska Petroleum Revenue



The U.S. military first established a post in Anchorage in 1940-41. By 1951 that original post had evolved into what are now Fort Richardson and Elmendorf Air Force Base. Together those two facilities have 11,000 active duty military personnel—4,390 at Fort Richardson and 6,600 at Elmendorf. Besides the active duty military, there is also a large civilian Department of Defense support staff in Anchorage, numbering about 3,813 workers.

Many of the military men and women have families and a significant portion live off base within the community. The total military population in Anchorage, including active military personnel and their families, is estimated to be 27,120.

Unlike resource extraction industries that are subject to large cyclical fluctuations as market conditions change, military budgets for personnel typically change little from year to year. Two significant changes in recent years have been the deployment of the 6th Light Infantry Division in the state and the reduction in force levels in the Pacific Rim. The infantry division is mostly assigned to Fort Wainwright in Fairbanks, but some personnel are in Anchorage. The reduction in force levels in the Pacific Rim has meant re-assignment of some personnel to Elmendorf. In 1991 about 1,000 personnel were moved from Clark Air Force Base in the Philippines to Elmendorf in Anchorage.

A significant amount of construction is required to maintain Anchorage's military facilities. For example, a new military hospital that would serve as a regional medical center for the Pacific region is tentatively planned for construction on Elmendorf, possibly beginning in 1996.

The future of the military bases in Anchorage will depend on a number of factors. Alaska's senior U.S. senator, Ted Stevens, is ranking member of the Senate appropriations subcommittee on defense and has proven to be a strong advocate for a large military presence in the state. The continued reduction in American forces in Korea and elsewhere in the Far East could mean additional reassignment of personnel to bases in Alaska, including those in Anchorage. (The other large bases in the state are Fort Wainwright and Eielson Air Force Base near Fairbanks, Fort Greely south of Fairbanks, and Adak Naval Station, on Adak Island, far out in the Aleutian chain.)

On the other hand, the Department of Defense is reducing its budget by closing some military installations. Fort Richardson was spared in the first round of closures, but several additional rounds are scheduled over the next few years. It is possible that Fort Richardson could be targeted for closure, although Senator Stevens and the rest of Alaska's congressional

delegation would fight the move. If the post were closed, it would certainly hurt the Anchorage economy by eliminating the jobs and money the military brings to Anchorage. There is no immediate alternative use or market for the property now controlled by the Army.

TOURISM

Alaska is an exotic tourist destination offering magnificent beauty, adventure, world-class fishing, and other attractions. Tourists come from the other states by cruise ship, by plane, or by car over the Alaska Highway.

Development of tourism in Alaska has in the past been hampered by the inaccessibility of many areas and the lack of facilities. Also, the tourist season is short in most parts of the state. In spite of those obstacles, the number of tourists visiting Alaska grew rapidly during the 1980s.

In recent years two large tourist companies have greatly expanded the availability of package tours and the options available for tourists, particularly in Southcentral Alaska. Interest in Alaska has been further stimulated by the passage of the Alaska National Interest Lands Conservation Act in 1980. That act added 104 million acres to the national conservation system in Alaska and increased the number of national parks in the state to eight. The state government has also been very active in marketing Alaska as a tourist destination and in developing infrastructure and facilities for tourists.

Anchorage is a growing base for tourism in Southcentral Alaska. About two-third of tourists to the state pass through Anchorage. An estimated 425,000 tourists visited Anchorage in the 1989-90 season, and they spent about \$176 million.

A typical tour for a visitor headed to Anchorage could include a cruise originating at a Washington port and travelling up the Inside Passage to Southeast Alaska and then on to Whittier, which is on Prince William Sound 40 miles east of Anchorage. Many tourists visiting Anchorage make day trips outside the city but return to spend the night. Tourists might have several days of activities in and around Anchorage, including trips to the Matanuska Valley and the Kenai Peninsula, and then return home by plane.

Estimates of jobs in tourism are imprecise because most businesses that serve tourists also serve local residents and business travelers. We estimate that tourism currently contributes the equivalent of 10,000 annual average jobs to the economy statewide. The tourist season is concentrated during the months of June, July, and August, so many of these jobs are seasonal and are held by students or non-residents.

Three projects under development indicate the direction Anchorage tourism is taking. First is the development of the Ship Creek area near downtown as a tourist attraction.

The second is the plan to develop additional facilities at Denali National Park, about 300 miles north of Anchorage and site of Mt. McKinley, the highest peak in North America. The National Park Service plans a new hotel there, and the state government is pursuing construction of a hotel in Denali State Park, which adjoins the national park.

Third, the Japanese owners of the Mount Alyeska ski resort at Girdwood, 30 miles Southeast of Anchorage, are undertaking a major expansion of the resort. They hope the larger resort will draw more Japanese tourists. This undertaking represents a significant departure from previous developments—it is an attempt to develop winter tourism, and it is a major project targeted at the international tourist.

AIR TRANSPORTATION

Anchorage has long promoted its location as the “Air Crossroads of the World” because it is almost equidistant from New York, Tokyo, and London. Anchorage International Airport serves as a major refueling stop for international passenger traffic moving between Europe, Asia, and the contiguous U.S. At the peak in 1989, 149 international flights passed through Anchorage every week, and sales at the Duty Free Shop at the airport placed it among the largest retailers in the city. Anchorage is a location for crew changes, and the air industry supports meal catering and maintenance.

The advent of a new generation of long-range aircraft (the 747-B), combined with the opening of Russian air space, have reduced but not eliminated the use of Anchorage for refueling. A 747-B is able to fly from New York to Tokyo non-stop and bypass Anchorage. More distant locations in the Orient are still not accessible non-stop from New York with the latest generation of jets.

With the opening of Russian air space, jets from the Far East, in particular Japan, can reduce the flight time to Europe by several hours by flying over Russia rather than flying via Anchorage (or Fairbanks). Partially offsetting this loss of traffic is the opening of the Soviet Far East to passenger traffic from Anchorage.

And as passenger traffic through Anchorage has declined, freight traffic

has increased. In 1989, Federal Express built its international sorting and customs clearing facility in Anchorage, and also bought the Flying Tiger Line—thereby making Anchorage the hub for the world's largest air cargo carrier. United Parcel Service also established its international operations in Anchorage in 1990. Anchorage International Airport ranks first in the U.S. for weight of cargo landed—more than 8 billion pounds in 1990.

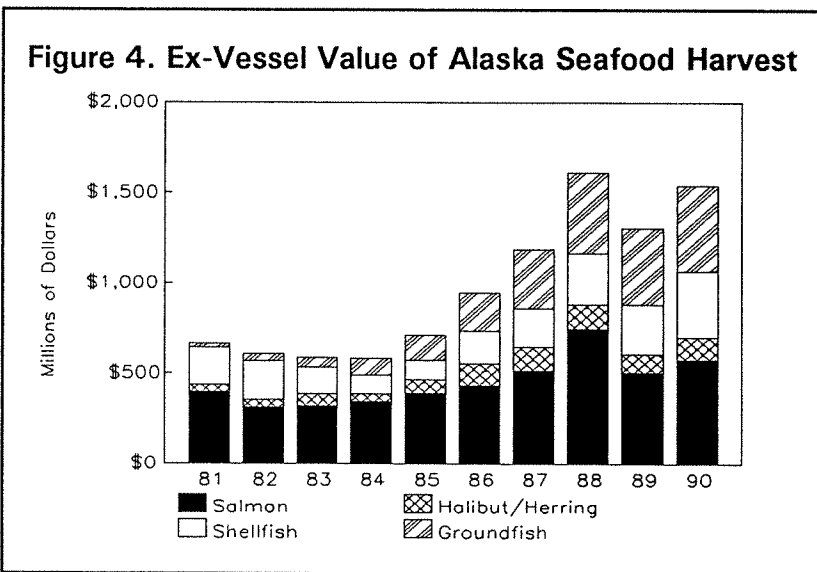
SEAFOOD

Seafood harvesting and processing employs more people than any other private basic industry in the state. During the peak of the season in the summer, 40,000 or more persons spend at least some time commercial fishing, and another 6,000 to 8,000 work in processing plants.

Alaska fishermen have long harvested salmon, halibut, shellfish, and herring from Alaska waters. In the 1980s, American fishermen and processors also took over the groundfish fisheries off Alaska. Before that, foreign vessels took almost all the groundfish catch. Salmon and the other species traditionally harvested are more valuable per pound than groundfish, but the groundfish harvest is several times larger than harvests of the other species combined. Groundfish (or bottomfish) is a broad designation that includes Alaska pollock, Pacific cod, flatfish, sablefish, and others.

Salmon is the highest value harvest. (Figure 4.) In the 1980s Alaska salmon accounted for about 40 percent of wild salmon harvested worldwide. About two-thirds of Alaska salmon is exported—a large share in fresh or frozen form to Japan, and some in cans to Britain and other countries.

While much salmon is exported with little processing, groundfish are typically processed much more—



into surimi, for instance, which is a paste used to make imitation crab and other products. These low-value fisheries require large volumes to be viable and consequently they are dominated by large factory ships that combine harvesting and processing and avoid onshore processors altogether. Still, some groundfish is processed onshore, with the main centers at Dutch Harbor and other locations in the Aleutian Islands.

In the mid-1980s, Alaska salmon fishermen enjoyed rising prices driven by a temporary drop in world salmon supply and by a sharp increase in the value of the Japanese yen. But in the most recent years, the world supply of farmed salmon (salmon which is raised entirely in pens) has grown rapidly, pushing down prices. The growth of farmed salmon has eroded Alaska's markets. Farming salmon is illegal in Alaska.

Salmon is harvested under a limited entry system, which restricts entry to the fishery by limiting the number of permits issued. That system leads to overcapitalization of the industry and very short seasons.

Alaska fishermen are now realizing that they must respond--with increased efficiency and better marketing technique--to the new world salmon markets. Some also argue that the major market for Alaska salmon--Japan--is controlled by Japanese processors who have depressed the price paid Alaska fishermen.

The main influences of the seafood industry on Anchorage are through the jobs it creates for some Anchorage residents, and through general support Anchorage provides to the industry through wholesaling and other services.

Anchorage is not a major center for the traditional seafood harvest industry, but it is the location of a significant portion of the workforce. Of the 10,000 limited entry permits owned by Alaskans, Anchorage residents hold about 750. Anchorage residents also work as crew members on fishing boats. There are also some processing facilities located near the Anchorage airport.

Cook Inlet does have a salmon fishery, but most harvesting is centered in the maritime communities of the Southcentral and Southeast regions. (Several Alaska ports, including Dutch Harbor at the start of the Aleutians and Kodiak on Kodiak Island, rank among the top ports nationally in weight and value of harvests.)

Dramatic year-to-year changes in prices, harvests, and other conditions mean that income in the seafood industry is probably more volatile than in any other. In a good year earnings can be very good indeed, while in a bad year fishermen may find it difficult to cover their operating costs. Because of the large number of

harvesters, public ownership of the resource, and a history of alleged exploitation of the traditional fishery by outside interests, politics play a particularly important role in this industry.

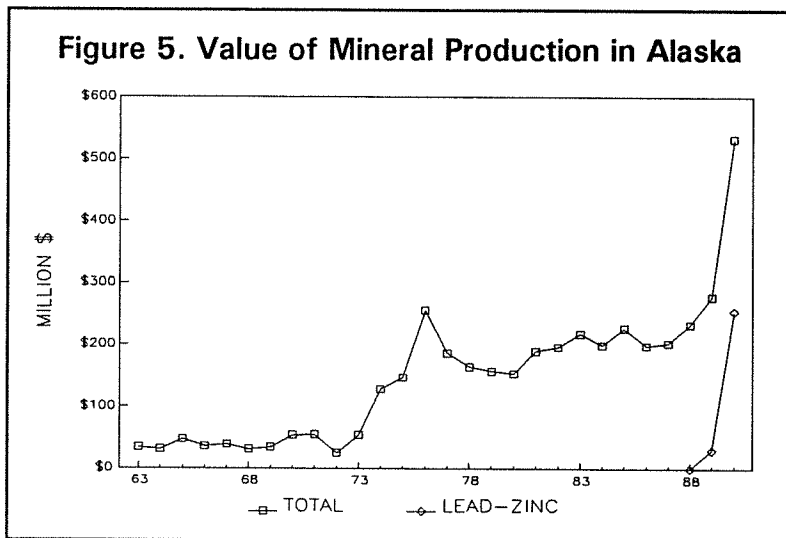
Between 1988 and 1991 the price of the most valuable salmon species, red salmon, fell more than 30 percent, pulling down fishermen's incomes. Indications are that the price for 1992 may be somewhat higher than the previous year, but it seems very unlikely--given the growth in farmed salmon--that the record high prices of the mid-1980s will ever return.

Growth in the seafood industry is limited by the available resource. Current plans for further development of the industry in the state concentrate on "adding value," which means more quality processing before the product leaves the state and more complete use of the harvest through the marketing of fish oil and other byproducts.

MINERALS

The high costs of developing and operating mines in Alaska, combined with the volatility of world mineral prices, mean that the Alaska mining industry is dominated by large companies and large mines. The exceptions are some small placer mining operations in the Interior.

Historically gold and copper were the most important minerals produced for export, but for many years after World War II mining in Alaska consisted mostly of platinum and coal mining for export and sand and gravel production for the local market. A lot of exploration activity was carried out but no significant development followed. Some argue that the uncertainty about land ownership for a number of years after Alaska became a state, as well as restrictions imposed by both the state and federal governments, have restricted mineral development.



Whatever the reasons for the slow development of the industry, two world-class mines did open within the past few years. Red Dog, developed by NANA Native regional corporation, is a lead and zinc mine in northwest Alaska near Kotzebue. It is the largest zinc producer in the western world. Green's Creek, a lead-zinc-silver mine on Admiralty Island in Southeast Alaska, is the leading silver producer in the U.S.

Addition of these two big new mines boosted the total value of mineral production in Alaska from \$277 million in 1989 to \$554 million in 1991. (Figure 5.) Zinc accounted for about half that value.

A number of other prospects--many of them potential gold deposits--are also under investigation in Southeast and Interior Alaska. For example, the Fort Knox deposit, 21 miles from Fairbanks, was recently purchased by AMEX Gold Inc. Plans are to begin production in 1994, employing 200 people.

The direct impact of the mining industry on Anchorage is limited to the labor force available for seasonal exploration and development activities, the support wholesaling and servicing activities centered in the city, and the offices of mining companies exploring and operating in the state.

FOREST PRODUCTS

The forest products industry is centered in Southeast Alaska, where timber from the Tongass National Forest supplies two pulp mills, in Ketchikan and Sitka, as well as sawmills throughout the region. The pulp mills supplied about 28 percent of the total U.S. volume of dissolving pulp in 1989. Most of the lumber harvested in Alaska is exported to Japan with only a minimum amount of processing due to the high cost of production in the state.

In recent years harvests from Native corporation lands have created a boom in the industry. (Figure 6.) Total industry production has been close to 1 billion board feet. Unlike the harvest from the Tongass National Forest, which is controlled to maintain a sustainable yield, the harvest on Native lands has exceeded the sustainable rate. Because of this overharvesting, overall production is expected to decline over the next several years as output from the Native lands declines. Furthermore, Congress has reduced the availability of timber from the Tongass National Forest, as well as the U.S. Forest Service's budget for admin-

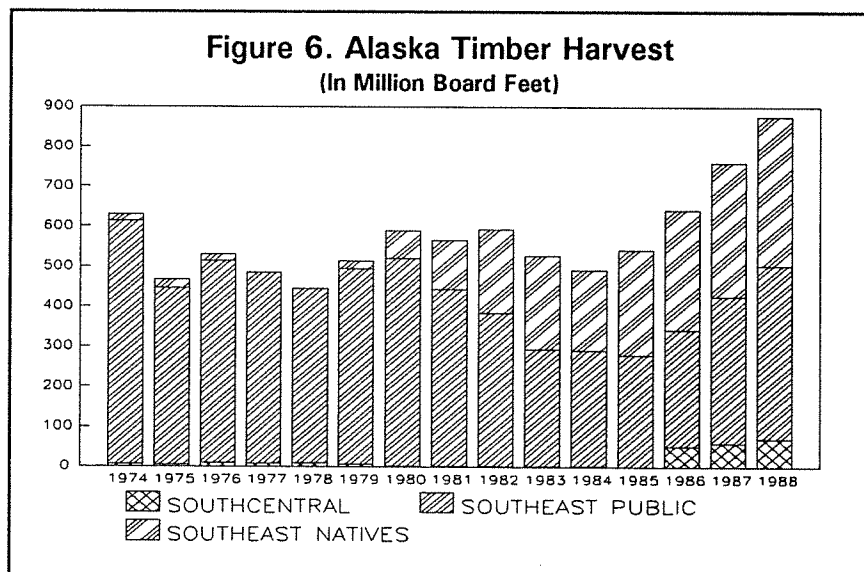
istering the sales of timber. Therefore, the output of the industry that depends on supply from the Tongass National Forest may also decline.

The forest products industry in Southcentral Alaska has until recently been confined to small-scale production of firewood and timbers for cabin construction for the local market. Attempts to develop the timber resources on state lands have not yet been successful. In 1991 a Native regional corporation opened a mill in Seward. The timber supply for this mill comes primarily from Native corporation timber in the Kenai Peninsula Borough and east in the Prince William Sound area. The mill is not operating right now because the parent corporation has gone into bankruptcy, but it may resume operations when a new owner is found.

The annual harvest in Southcentral Alaska has been approximately 50 million board feet annually in recent years, creating about 500 jobs. Harvesting is centered in the Kenai Peninsula Borough but there are also some small operators in the Matanuska-Susitna Borough. Anchorage is the headquarters of some of the firms in the industry, and it provides business services to firms operating in Southcentral Alaska.

AGRICULTURE

In spite of a state-sponsored attempt in the 1980s to develop an export based agricultural industry in Alaska, the agricultural industry is limited to small-scale production for the local market. Activity is centered around Palmer in the Matanuska-Susitna Borough, where a farming community was first established in the 1930s in a depression resettlement scheme. Other smaller agricultural areas are outside Homer, where there is a Russian immigrant settlement, and in the Delta area Southeast of Fairbanks.



The output of the industry consists primarily of dairy products, hay, potatoes, and beef with an annual value of about \$12 million. The farms are family owned and operated, using family and share labor. A significant portion of the output is consumed by the agricultural sector. The most significant commercial product is milk, which supplies a portion of the domestic market. Total employment is less than 1,000.

The state attempted to develop large-scale dairy farming to the west of Palmer in the 1980s, as well as barley production for export in the Delta area in the Interior. Both of these efforts were unsuccessful for a number of reasons, including the high cost of operation and the vagaries of nature.

Because there is no significant local agricultural production, almost all consumer food products in Anchorage are imported from Seattle. The size of the market and modern shipping technology assure a full range of quality products at reasonable prices.

MANUFACTURING

Aside from primary processing of resources, there is virtually no manufacturing in Alaska for outside markets. That lack of manufacturing results from Alaska's relatively high labor and construction costs, and the large distance from big markets.

Support Sectors

Anchorage is the commercial center for Alaska, except for communities in Southeast Alaska—which look more to Seattle for support. As such, Anchorage's support sectors supply services and goods not only to households and businesses in Anchorage but also to much of the rest of the state.

CONSTRUCTION

Construction has traditionally been one of the driving forces behind economic growth in Alaska and the cause of many of the boom and bust cycles in recent decades. Its importance is attributable to

several factors. Resource extraction, particularly petroleum and mining, requires large infrastructure investments. (The same is true of military buildups). After Alaska became a state in 1959, there was a drive to bring the level of Alaska's infrastructure up to the standard of the rest of the nation. The average rate of population growth since 1959 has been twice the national average, driving demand for construction. And, particularly in the 1980s, the state had the money to invest in large capital expenditure programs.

Typically, for large capital projects in rural Alaska, Anchorage has been the source of any materials and labor not available locally. Materials from outside are shipped through the port of Anchorage, and workers recruited in Anchorage are temporarily housed at the

Figure 7. Anchorage Housing Starts
(In Thousands of Units)

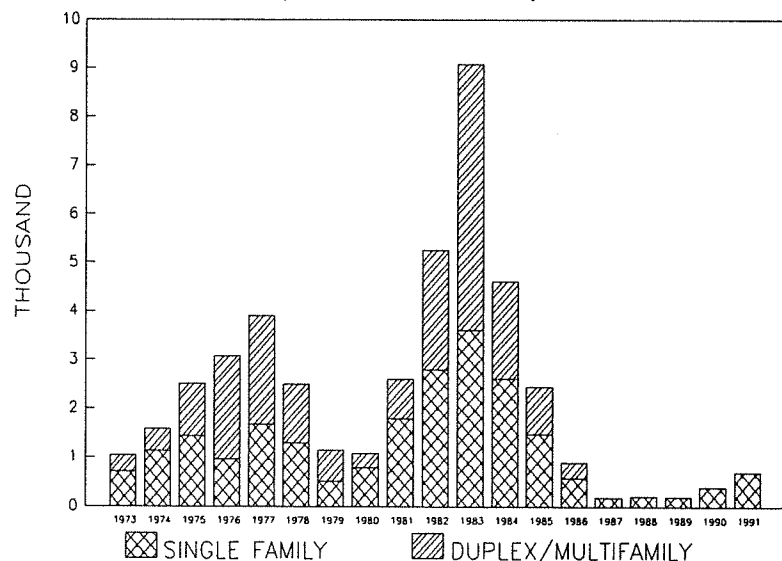
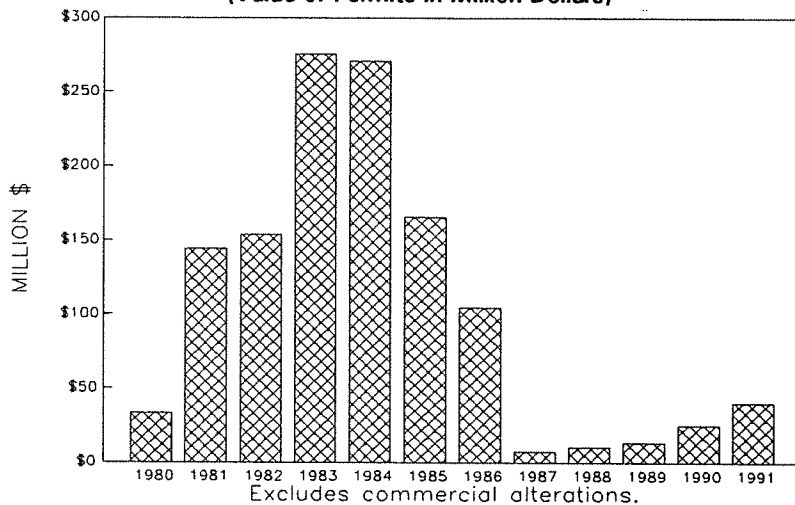


Figure 8. New Commercial Construction, Anchorage
(Value of Permits in Million Dollars)



work site. The combination of union wages, remote site differentials, and long hours produce high average annual wages in the construction industry.

The clearest example of how a large construction project in rural Alaska can impact the Anchorage economy is the mid-1970s economic boom that occurred in Anchorage during construction of the trans-Alaska pipeline. At its nearest point the pipeline is probably 200 miles from Anchorage—but Figure 7 clearly shows a housing boom in Anchorage during pipeline construction.

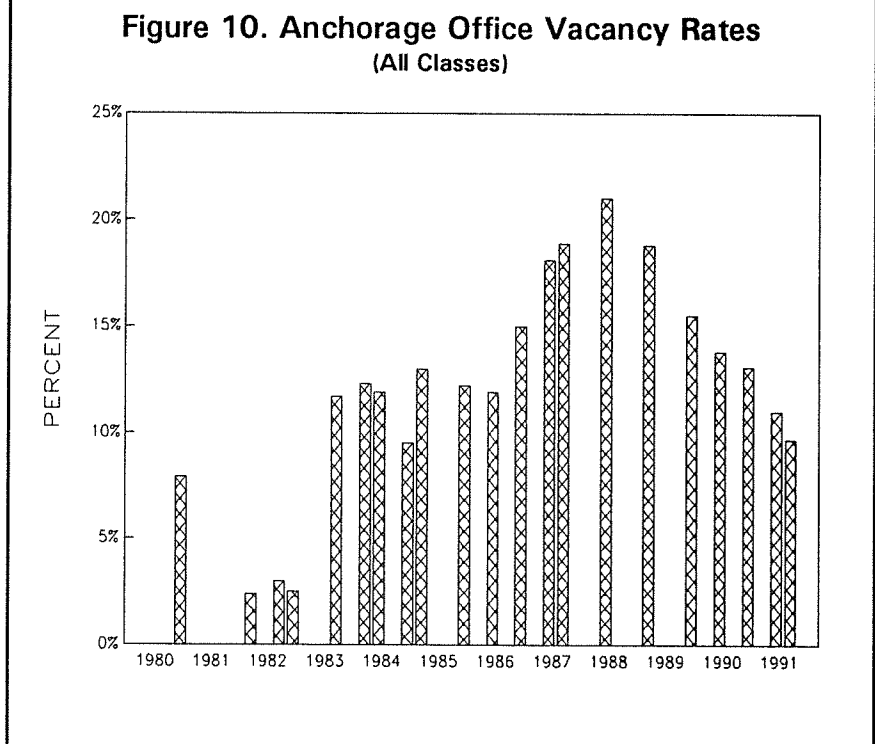
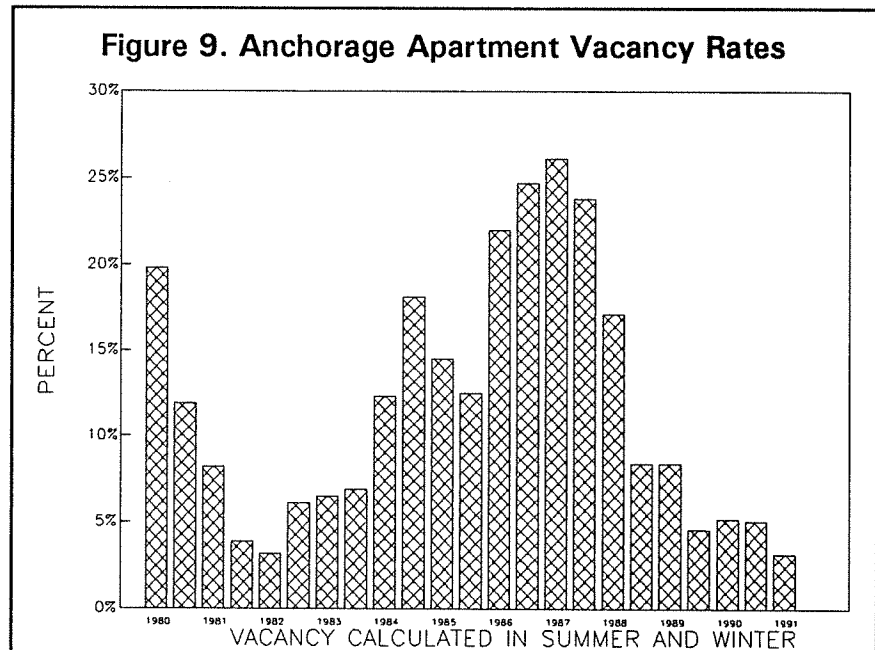
More recent examples of large construction projects in outlying areas that have influenced Anchorage are the Bradley Lake Hydroelectric Project (financed by the State of Alaska) near Homer in the Kenai Peninsula Borough and the GHX-2 gas handling facility on the North Slope, financed by the petroleum industry. In each case a portion of the work force was recruited from the Anchorage area.

The capital projects of the petroleum industry typically require a more technical and specific construction labor force not available within the state as well as a fabrication location close to suppliers. As a consequence, many large projects are fabricated at sites in the Lower 48 states, or even in the Far East, and barged to the North Slope during the summer. Some small modules have been built in Anchorage for use on the North Slope, but the majority are still imported.

Within Anchorage construction cycles have also been influenced by the availability of federal and state money as well as by business cycles driving (and being driven by) residential and commercial construction activity. (Figures 7 and 8 and Appendix C.) The cycle of residential and commercial spending was particularly pronounced during the 1980s, when the state experienced tremendous expansion during the first half of the decade followed by a recession in the second half.

There was a building boom in Anchorage in the first half of the

1980s, as tens of thousands of people were drawn to the city by economic growth. One-quarter of Anchorage's housing stock was built in the short period from 1981 through 1985. The recession in the second half of the decade essentially eliminated residential and commercial construction activity until recently. Falling vacancy rates now indicate that the market is returning to equilibrium. (Figures 9 and 10.)



TRANSPORTATION, COMMUNICATIONS, PUBLIC UTILITIES

Because there are no roads linking many Alaska communities, air transportation is particularly important within Alaska as well as between Alaska and the rest of the U.S. Anchorage is the base for both intrastate and interstate passenger and freight operations. Air freight operations not only serve individual consumers but also the basic industries. They transport supplies to the oilfields, fishing grounds, and timber harvest areas. They provide for the shipment of high-value fresh seafood products. They provide "spotters" to find schools of fish in the ocean for fishing boats. They provide transportation for firefighters.

The center of air transport operations in Anchorage is the Anchorage International Airport, but Anchorage is also served by several other civilian airports--including the largest and busiest seaplane base in the world, Lake Hood, and a general aviation airport, Merrill Field. A measure of the importance of air transportation to the state is that Alaska has about 8 times as many pilots and 15 times as many aircraft per capita as the national average.

Two other elements of the Anchorage transportation hub are the Alaska Railroad and the Port of Anchorage. The Alaska Railroad, which runs from the port of Seward to Fairbanks in the Interior, was built by and originally owned by the federal government. It is now owned by the State of Alaska and operated as a profitmaking corporation. The primary commodities carried on the railroad are coal, petroleum products, oil field equipment, and tourists. Two shipping companies run regularly scheduled service to Anchorage from Seattle, carrying the bulk of goods destined for Southcentral Alaska. Outlying areas on the road system are served by truck.

Anchorage is well served by communications and public utilities. The availability of natural gas in Cook Inlet has provided Anchorage with some of the least expensive natural gas and electricity, largely generated by natural gas, in the nation.

FINANCE

Anchorage is the financial center for the state with more than 70 percent of total deposits and 65 percent of employment in the industry. Three

banks with headquarters in Anchorage account for most assets held by banks--National Bank of Alaska with 45 percent of bank assets, First National Bank of Anchorage with 25 percent, and Key Bank Alaska with 17 percent. Three banks are owned by holding companies--Key Bank, First Interstate, and Security Pacific. The larger banks have branches throughout the state. Credit unions have a more significant role in the local market than nationally because of the high percentage of federal employees. About 20 percent of total financial institution assets are in credit unions, the largest of which, Alaska USA, is one of the largest in the nation. Savings and loans are not an important factor in the market.

The decade of the 1980s was tumultuous for the financial sector. Several new banks were chartered in the late 1970s and early 1980s, and during the economic boom of the early 1980s banking was very profitable. Banks assets more than doubled between 1980 and 1985. As the boom slowed those banks with the heaviest portfolios of real estate loans began to experience losses. Between 1986 and 1989, 13 financial institutions were closed or merged as a result of the crash in the real estate market.

After falling for over three years, bank assets began to grow in 1990. The health of the sector has improved to the point that a new bank was chartered in Anchorage in 1991, bringing the total for the state up to nine.

TRADE

Anchorage serves as the trade center for Southcentral Alaska as well as much of the Interior. Along with services, this sector has grown rapidly since Alaska became a state. (Figure 11.)

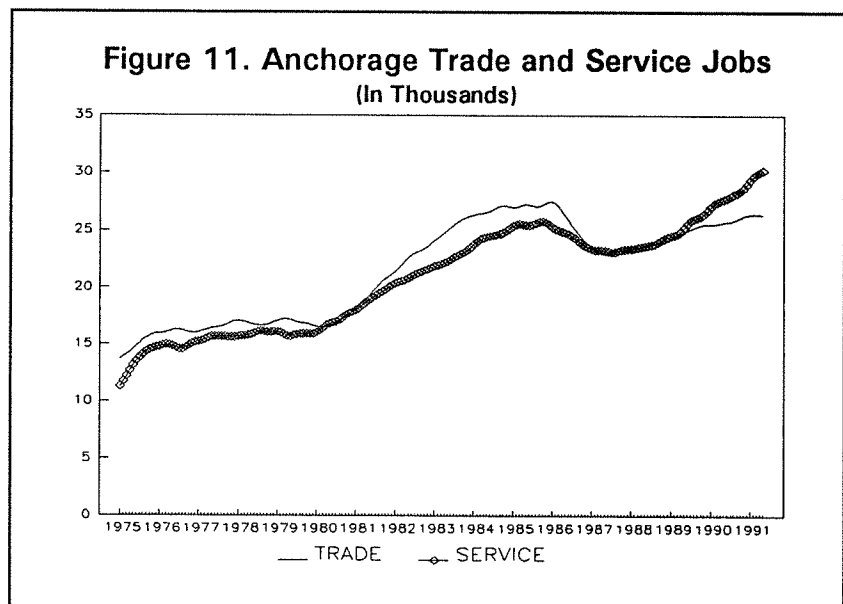
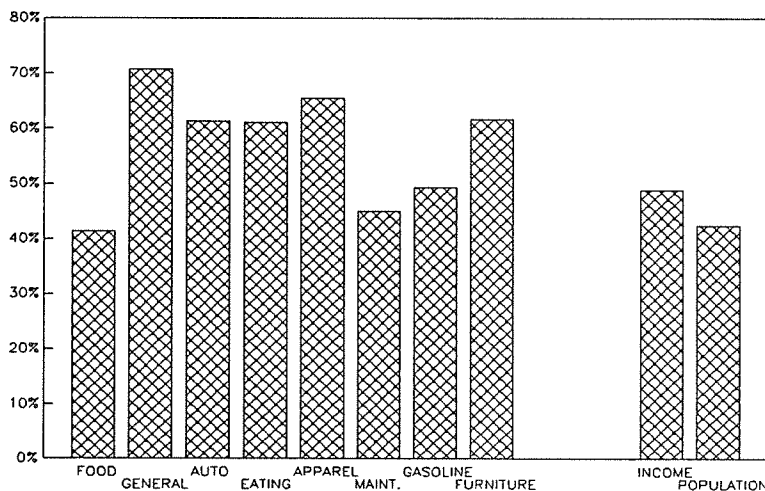


Figure 12. Concentration of Retail in Anchorage
(Percent of Statewide Receipts)



The average household income in Anchorage is relatively high (the Bureau of Economic Analysis estimated it to be \$67,000 in 1990), and the population is relatively young (a median of about 28 in the late 1980s)—factors that result in a high level of demand for consumer goods. This demand is met by a full range of general and specialized retail establishments including national chains such as Sears and Nordstrom, franchises such as McDonalds and Burger King, and locally owned establishments.

Anchorage serves as the trade center for Southcentral Alaska and much of the Interior through its role as both a shopping destination, and through the services of “expeditors” who act as agents to shop for people living in rural parts of the state. In the smaller communities and rural areas outside Anchorage, even the most basic goods are often not available and residents of these communities must either come to Anchorage occasionally to purchase supplies or order them through an expediting service and have them delivered, usually by air. A number of warehouse stores have located in Anchorage to serve the needs of these shoppers as well as residents. These “bush orders” encompass a wide range of products from traditional items such as flour and sugar to the occasional order for a Big Mac from McDonalds.

The importance of Anchorage as a retail center is reflected in the proportion of statewide retail sales which occur in the city. (Figure 12.) In 1987 the level of retail sales was nearly \$2 billion. (Appendix D.) This was 54 percent of the state total.

SERVICES

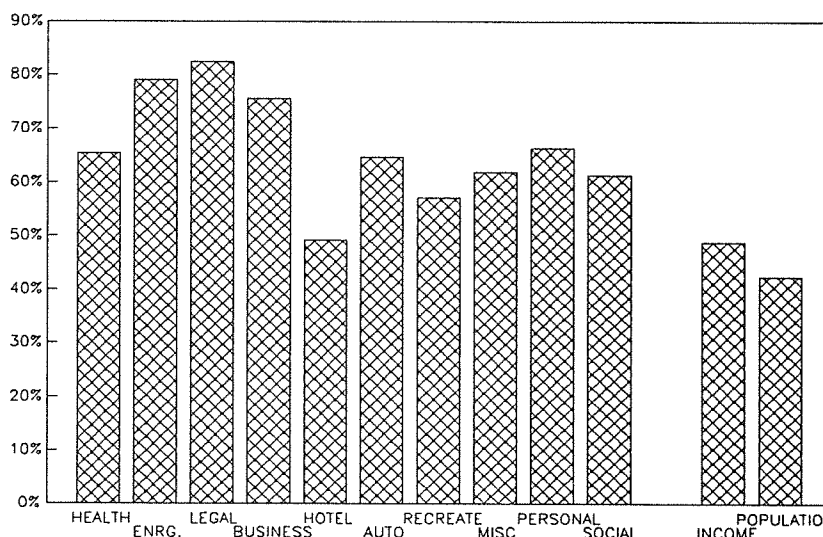
As with trade, the Anchorage service sector serves not only households and businesses in Anchorage but in many instances also households and businesses throughout Southcentral Alaska or even the entire state. Anchorage is the center for business services including advertising, accounting, architecture, engineering, legal services,

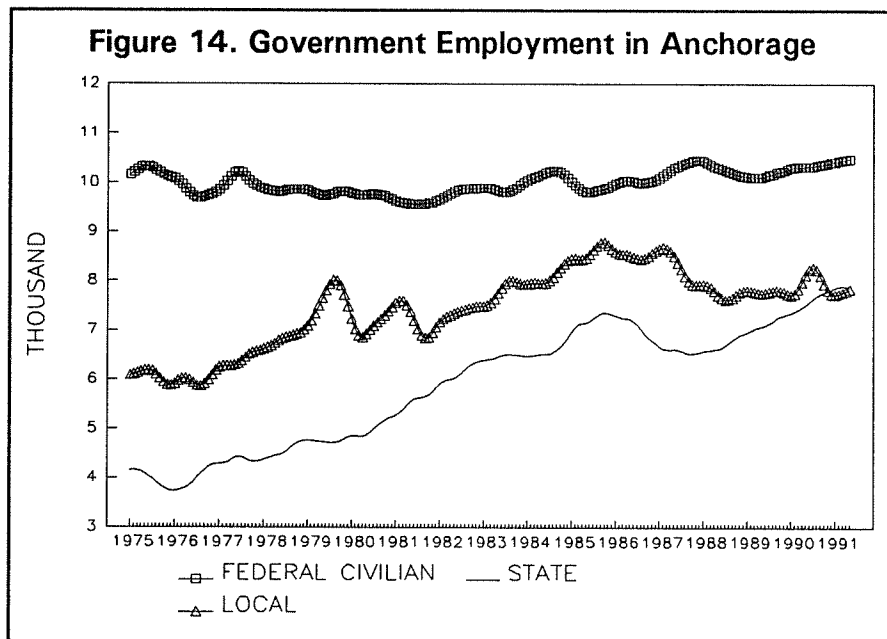
and others. Legal firms in Anchorage, for example, may represent fishermen in Southwest Alaska or electric utilities in the Interior. Many of the twelve Native regional corporations maintain offices in the city.

In 1987 the level of service sales in Anchorage was \$1.1 billion, or 69 percent, of the state total.

Personal services are also concentrated in Anchorage, but not as much as business services are. (Figure 13.) For example, the two largest private hospitals in the state are in Anchorage, as is an Indian Health Service Hospital and an air force Hospital.

Figure 13. Anchorage Share of Service Receipts
(Percent of Statewide Receipts)





STATE

The State of Alaska has been one of the important sources of economic growth during the last 30 years. Many Alaskans have always viewed state government as an active participant in developing Alaska's resources—both as a resource owner and as a facilitator, providing airports, harbors, railroads, roads, and other infrastructure. When production of North Slope oil began, the billions of dollars in state taxes and royalties from that production seemed to provide the means to achieve economic development. Many would argue that public spending at the state level can generate considerable

economic activity, but that real economic growth must come from conditions present in the private economy.

This is not to say that the pace of economic development cannot be influenced by the policies of state government, or that targeted expenditures on infrastructure cannot achieve desired goals. The state financed a road to the site of the Red Dog zinc mine, helping to ensure that the project would go forward. But an example of the pace of development being slowed by the inaction of government is the current dispute over the state's handling of the Mental Health Trust Lands. These are public lands set aside in trust, with the proceeds to benefit mental health programs. Uncertainty over title to these lands has delayed development of a coal mine in the Matanuska Valley.

State government has always been a larger part of the economy of Alaska than state governments are in other states, and that gap widened in the 1980s. Per capita state spending in the late 1980s was three times the national average, after an adjustment for Alaska's higher cost of living. We have estimated that one-third of all jobs in Alaska can be traced back to state government expenditures.

Because petroleum revenues provide 85 percent of the state general fund budget, both state spending and the economic activity it engenders depend on petroleum revenues. (Figure 15.) (The general fund accounts for about two-thirds of total state expenditures. The other one-third comes from federal transfers and the earnings of the Permanent Fund.)

State government programs affect the economy in a variety of ways far beyond state government jobs (about 21,000 in 1991) and payroll and the capital

Government

FEDERAL

The federal government is the largest landowner in the state, owning about 60 percent of Alaska's 375 million acres. Managing this land, and serving the resident population and providing support for military personnel, translates into a large federal civilian work force. Most of those federal civilian workers are in the Department of Defense, the U.S. Postal Service, and the Department of the Interior.

Of the nearly 19,000 federal civilian employees in Alaska, 10,500—more than half—work in Anchorage and make up a stable component of the city's labor force. (Figure 14.) The level of civilian employment changes little from year to year. In addition to their regular salaries, federal employees in Alaska receive a COLA (cost of living adjustment), which in recent years has been calculated at 25 percent of base salary. This COLA significantly increases the purchasing power of these employees, and it has survived recent attempts to reduce or eliminate it.

The federal government also supports the Anchorage economy in other ways. For example, the postal service transports—at parcel post rates—large volumes of freight originating in Anchorage and destined for rural Alaska. Those rates are considerably below the cost of service and help stimulate trade and wholesale businesses in Anchorage.

budgets supporting the construction industry. The most unusual of these is the Alaska Permanent Fund Dividend Program, which uses a portion of the earnings of the Permanent Fund to make annual cash payments to all Alaska residents. This program was instituted in 1982 with a one-time special dividend of \$1,000 per resident. In 1991 the dividend was \$934 per resident, for a total of about \$489 million paid out to residents. We estimated in the late 1980s that spending of dividend money created more than 6,000 jobs in the state.

The Alaska Permanent Fund was established in 1977 as a permanent savings account for a portion of the proceeds from the sale of state-owned resources,

primarily petroleum. The fund has grown to \$13 billion from those proceeds, as well as from reinvestment of a portion of the earnings and special legislative appropriations. (Figure 16.) The assets of the fund consist of a diversified portfolio primarily made up of bonds, some domestic stocks, foreign stocks, and real estate. Since its inception, the fund has earned an average real rate of return (adjusted for inflation) of about 5 percent annually. The Alaska Constitution prohibits spending the principal of the fund, but the legislature can and does appropriate a portion of the earnings each year for dividends. (The legislature could appropriate the earnings for other purposes.)

State government is also a major source of funding for local government in Alaska. About 50 percent of the revenues of the Municipality of Anchorage and the Anchorage School District are transfers from state government. Most smaller communities depend even more on state funding. State government also supports quasi government non-profit organizations through numerous grant programs in health, the arts, and other areas.

In the early 1980s state government introduced or expanded a number of programs--including subsidized rates on home mortgages, subsidized rates on student loans, subsidies for various types of business capital expenditures, transfer payments to senior citizens, and new aid programs for local governments. Naturally these financial incentives influenced economic behavior. For example, in the early 1980s subsidized residential mortgages provided by the Alaska Housing Finance Corporation virtually eliminated the conventional forms of mortgages from the market.

The state personal income tax was repealed in 1980 and, since there is no state sales tax or property tax (except on petroleum related facilities), Alaska households are virtually untaxed at the state level. The exceptions are excise taxes on motor fuels and alcohol, and taxes on insurance and motor vehicle registrations.

Most of these special programs have been scaled back in the 1990s but a few continue to grow. The appropriation for the Longevity Bonus, which is a monthly \$250 payment to each resident over the age of 65, increases each year with the number of senior citizens.

Figure 15. General Fund Petroleum Revenues
(Billions of 1991 Dollars)

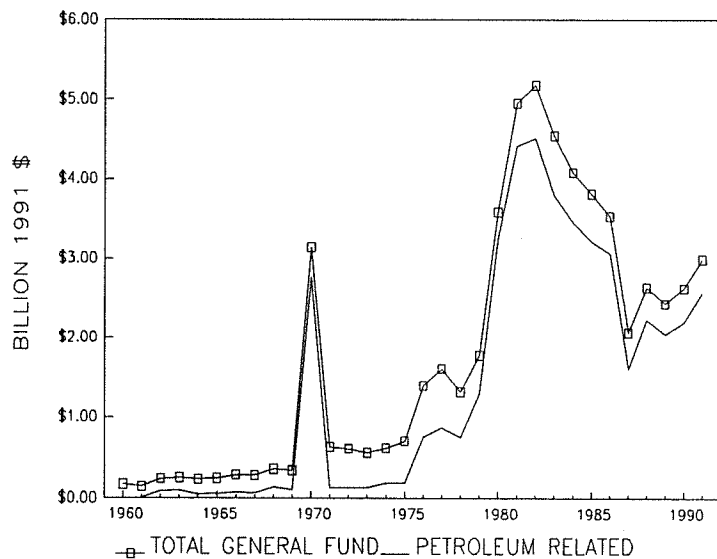
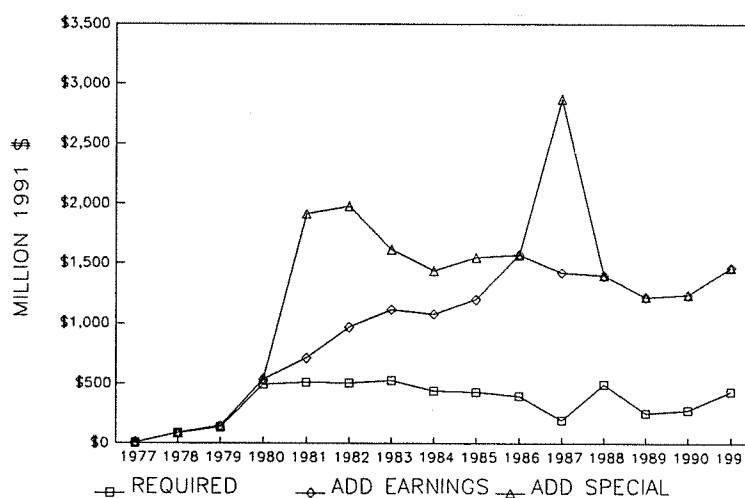


Figure 16. Alaska Permanent Fund Revenues
(Millions of 1991 Dollars)



Anchorage is not the capital of the state (Juneau in Southeast Alaska is the capital), but Anchorage has more state employees than are in the capital city. State employment in Anchorage in mid-1991 was 7,800, compared with 4,600 in Juneau. A number of major state institutions are in Anchorage, including the University of Alaska Anchorage, Alaska Psychiatric Institute, the Alaska Public Utilities Commission, the Alaska Railroad, and the Alaska Industrial Development and Export Authority. A number of divisions of state departments are also in Anchorage.

LOCAL

Local government in Anchorage is similar to local governments in cities of like size elsewhere in the U.S. Along with other Alaska local governments, the city benefited from a huge state capital grants program in the early 1980s. That state money produced a number of impressive public facilities in Anchorage, including a performing arts center, convention center, headquarters library, and sports center.

Locally generated revenues come primarily from property taxes. (Figures 17 and 18 and Appendix E.) There is no general sales tax and a statutory "tax cap" prevents taxes from increasing faster than a combination of the rate of inflation, population growth, and the value of new construction. This restriction has been a real constraint on the size of local government in recent years, since revenues from state government, not included in the "tax cap" calculation, have been steadily declining since 1986.

Labor Force, Employment, Population and Households

Wage and salary employment in Anchorage was about 112,000 in 1991, and total employment—including military personnel and the self-employed—was more than 132,000.

Anchorage's labor force includes residents who commute (weekly or on different rotation schedules) to work sites on the North Slope and other remote locations, primarily for petroleum and construction jobs. On the

other hand, several thousand jobs in Anchorage are filled by residents of the Matanuska Valley who commute to Anchorage daily. These commuters work in all sectors of the economy.

The city's labor force is well educated, due to the large percentage of professional and managerial jobs in the economy. About 65 percent of Anchorage residents over 25 have spent at least some time in college, and more than one quarter have degrees.

Unemployment in Anchorage has historically exceeded the national average for a number of reasons. The high average wages in many industries create an incentive for people to look for employment in this market longer than they normally would. The construction, transportation, seafood processing, and tourism industries are highly seasonal, and workers in these industries are likely to be unemployed for long periods.

Figure 17. Anchorage Property Values
(Billions of Dollars)

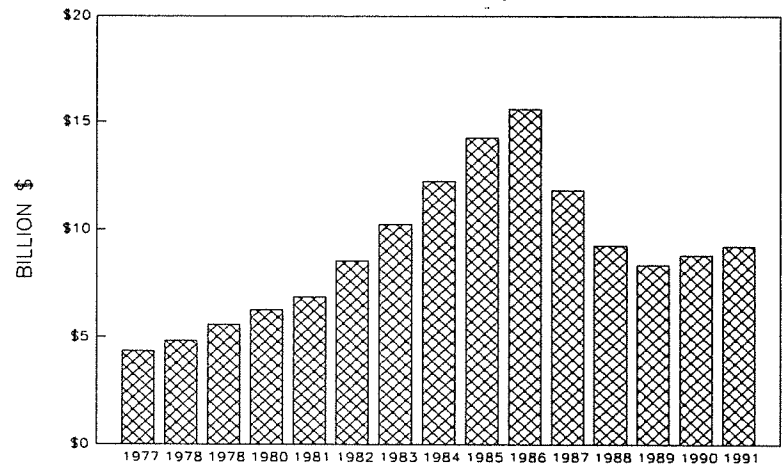
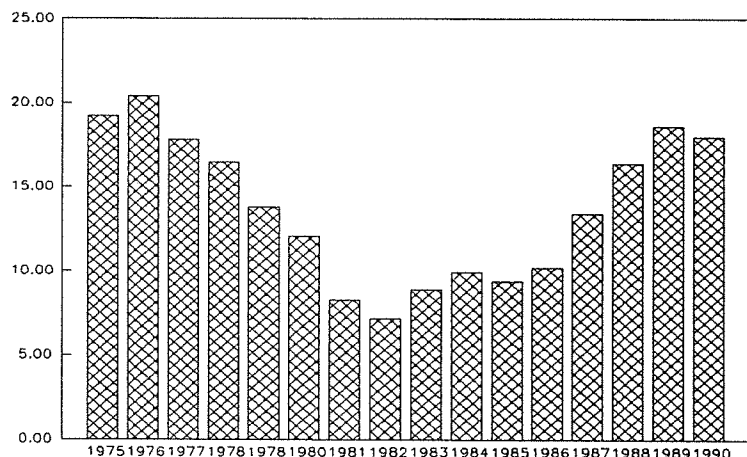


Figure 18. Anchorage Property Tax Mill Rate



The unemployment rate also tends to fluctuate with the business cycle in two important ways. When job growth is rapid, the unemployment rate initially falls. As the news of employment opportunities in Alaska spreads to the rest of the nation, the influx of job seekers quickly catches up to and soon surpasses the growth in new jobs. This effect can result in a higher than normal unemployment rates when economic times are good. Several times in the past, recessions in the Lower 48 have coincided with periods of economic growth in Alaska. Displaced workers from other states then headed to Alaska to look for jobs. So we often see a higher than normal unemployment rate in Anchorage when the U.S. economy is in a recession.

These influences explain the recent behavior of the unemployment rate in Anchorage. It fell in 1989 and 1990, in response to the mini-boom created by cleanup of the huge Prince William Sound oil spill. Many of these jobs were located at remote coastal sites but were nonetheless filled by Anchorage residents. By late 1990, more workers moving into the city combined with the slowdown in the economy to create a slow rise in the unemployment rate. This increase was soon amplified by the effect of the U.S. recession, which caused more people to move to Alaska.

The average age of the population in Anchorage, as in Alaska, is below the national average, largely due to the rapid growth of the population through immigration in the decades since Alaska became a state. Job growth in much of that period exceeded the growth of the resident labor force, requiring relatively young immigrants to supplement the resident labor force.

Other factors contributing to Anchorage's young population are the large military presence, the Native population which has a high birth rate, and the hard winters which force many senior citizens to move south when they retire.

For all these reasons, the population of the city is sensitive to the level of economic activity. Furthermore, the turnover rate in the population--as measured by the levels of people moving out and moving in is high. The mobility of the population means that when the economy is expanding the population grows as people are

drawn to Alaska, and when the economy is sluggish population contracts as people leave.

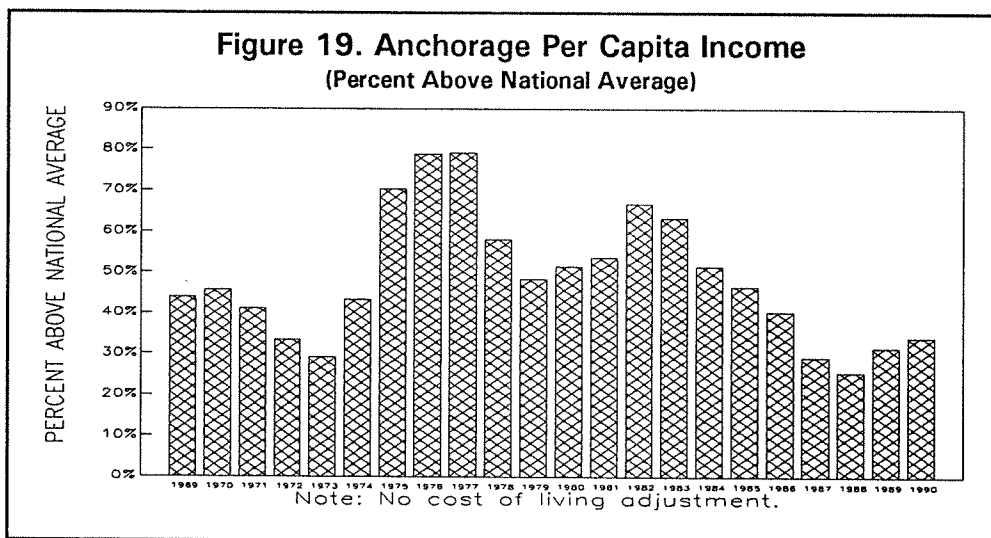
Furthermore, there is a seasonal pattern to population--it increases during the summer months, for several reasons. First, some local industries--most notably construction and tourism--are more active in the summer, although modern construction methods have considerably extended the construction season in recent years. Second, the presence of the tourists themselves swells the population. Third, Anchorage serves as a labor staging area for workers associated with summer activities in other parts of the state, including fish processing, firefighting, construction, and tourism. Finally, the military tends to cycle their forces during the summer months and those movements can swell the ranks of the military during the summer.

Anchorage's population is about 80 percent white, 6 percent Alaska Native, 6 percent black, and the remaining 8 percent other races. Military personnel and their families make up around 10 percent of the city's population. (Appendix F.)

The average household size is 2.7. Close to 70 percent of Anchorage households are families.

Household Income and Cost of Living

Several factors contribute to high per capita (\$25,000 in 1990) and high average household incomes in Anchorage (Figure 19): high average wages in many industries, (Appendix G) the occupational mix of employment opportunities, a relatively small population over 65, and a high labor force participation rate. In 1990 the average household income was about \$60,000 statewide and \$67,000 in Anchorage, according to figures of the Bureau of Economic Analysis. The U.S. average household income was about \$52,000.



Wage income makes up a larger share of total household income in Anchorage than elsewhere, because the average household has not had a long time to acquire assets, and the number of retired households is small. However, this is slowly changing as the average age of the population increases.

A low tax burden on households and the high level of public spending per household also augment household income. Anchorage has no state or local income or sales taxes. In fact, we estimate that a typical household receives combined state and local payments and services worth ten times more than it pays in property taxes.

Anchorage's overall higher household incomes are offset somewhat by a cost of living that exceeds the national average. Virtually all goods must be shipped from Seattle. Estimates of the differential between Anchorage living costs and the U.S. average range from 0 to more than 25 percent. The federal government currently pays its employees in Anchorage a 25 percent cost of living differential (COLA). Some but not all private regional or national companies also have policies of paying a differential in wages and salaries to Anchorage employees. We estimate the differential to be about 15 percent, without accounting for a lower tax burden or the Permanent Fund dividend payment program. (Figure 20.) In recent years the differential declined because Anchorage's inflation rate was lower than the U.S. average. (Figure 21.)

The actual cost of shipping consumer goods to Anchorage from the West Coast is relatively low, given modern container methods and the volume of traffic. Consequently, the most important component of the cost of living differential is the cost of housing. That differential depends on the location and the year chosen for comparison. The Anchorage housing market has been depressed since the recession of the late 1980s. (Figure 22.) Prices have recov-

ered in the last three years and are now close to replacement costs, so current comparisons are representative of the market in equilibrium. (Figure 23.)

Outlying Areas

MATANUSKA-SUSITNA BOROUGH

The Matanuska-Susitna Borough borders on Anchorage to the north. Its two largest communities--Palmer and Wasilla--are about 50 miles north of Anchorage by road. About three-quarters of the borough's 40,000 residents live in or around Palmer and Wasilla. A number of smaller communities are scattered over a 20,000-square-mile area. Most but not all are accessible by road.

Palmer was established in the 1930s as an agricultural community and service center for mining activities to the north and east. Wasilla, 10 miles to the west, largely grew as the Anchorage economy expanded in the last two decades.

Figure 20. Anchorage Cost of Living
(Percent Above U.S. Average)

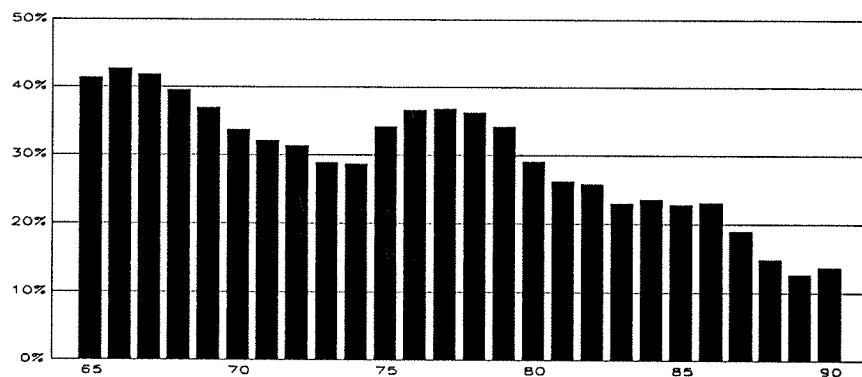


Figure 21. Annual Inflation Rates, Anchorage and U.S.
(Annual Percent Increase in CPI)

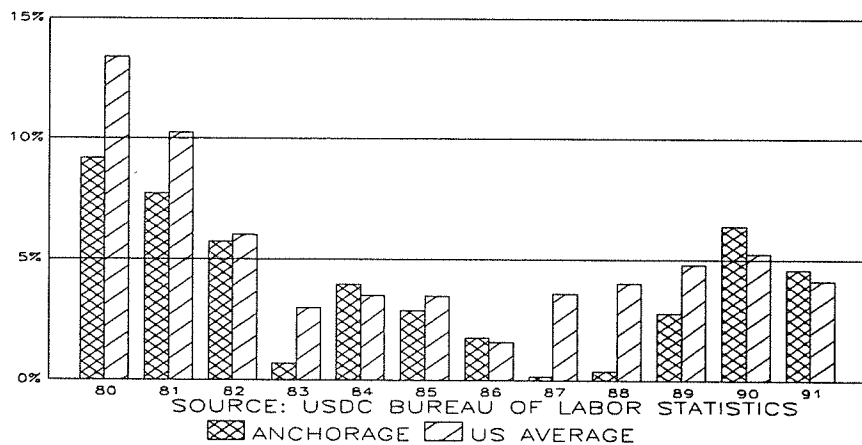


Figure 22. Anchorage Housing Sales
(In Thousands of Units)

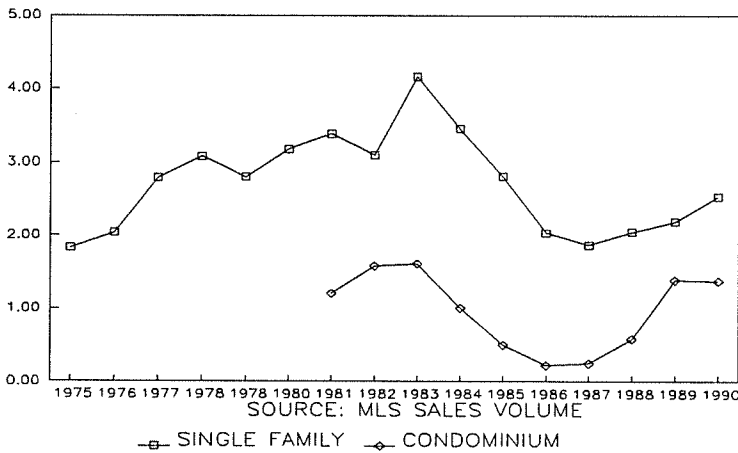
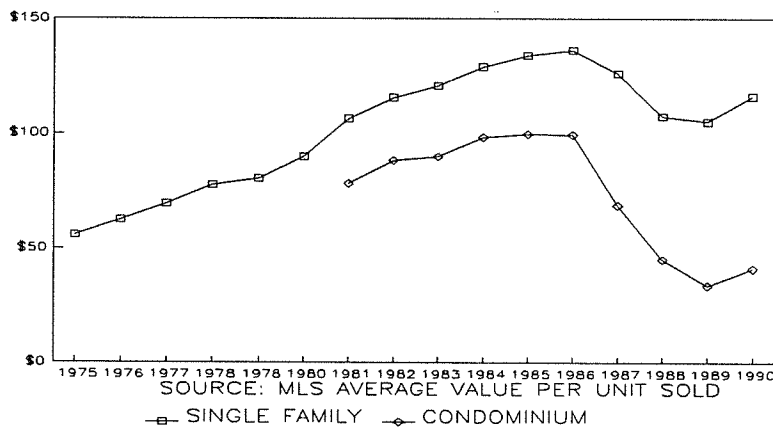


Figure 23. Anchorage Housing Prices
(In Thousands of Dollars)



About two-thirds of the economic base for the borough is provided by residents commuting to Anchorage to work or to other job sites (mostly in the petroleum or construction industries) outside the borough. This commuting is largely a phenomenon of the last two decades, when rising housing costs in Anchorage and highway improvements linking Anchorage with the borough increased the relative attractiveness of living there and working in Anchorage.

Before that, the region depended on a scattered mix of small, commodity producing businesses which still operate and provide some diversity to the economic base. Local production in the borough includes small-scale mining, agriculture, forestry, and fisheries activities. Better access and a growing population in Anchorage has also boosted tourism and recreation in the borough. The advent of petroleum revenues increased government employment.

Agriculture employs about 600 people either full- or part-time and generates about \$12 million in personal

income annually. The forestry industry has an annual harvest of about 3 to 4 million board feet, used primarily for cabin logs, rough-cut timber, and firewood. The commercial fishing industry consists mainly of professional guides who sell their services to sport fishermen. Employment in two fish hatcheries in the borough is counted as government employment, and the fish from those hatcheries are harvested outside the borough, in Cook Inlet.

Gravel exported to Anchorage has been the most important output of the borough's mining sector in recent years, although both gold and coal were important products in earlier times. A mine that will produce coal for export is being developed by a Japanese company outside Palmer. It will employ 200 workers. Small-scale gold mining operations are scattered throughout the borough, and the potential exists for a larger operation to move in if a large deposit were identified.

The Matanuska-Susitna Borough serves as a recreation area for Anchorage residents, provides attractions for out-of-state tourists, and is the gateway to Denali National Park. About 20 percent of the borough housing stock is vacation homes,

concentrated in the area of lakes to the north and west of Wasilla, and mostly owned by Anchorage residents. Fishing in the many rivers that flow into upper Cook Inlet is a popular spring and summer pastime with residents, as is hunting in the fall and snowmobiling in the winter.

Many of the tourists who visit Anchorage also come to the borough, but only a small percentage stay overnight there--so it is difficult to assess the economic impact of the tourism and recreation industries on the region. The small community of Talkeetna is famous as the starting point for virtually all parties attempting to climb Mt. McKinley.

There are few federal government jobs in the borough but a large number of state and local government jobs that are supported by petroleum revenues. Palmer has a small hospital. Support industries in the borough are mostly retail establishments and consumer services located in the commercial centers of Palmer, Wasilla, and to a lesser extent in the Big Lake area.

Construction is an important industry financed to a large extent by state government. Real estate has in recent years been an important industry as well, although it was particularly hard hit by the recession of the late 1980s. The area relies on Anchorage for more specialized consumer and business services. For the majority of the population, Anchorage is one hour away by road.

Most of the borough population depends on the Anchorage economy for its livelihood, but a smaller part is less directly and completely tied to the labor force. These are mainly people in the more remote areas of the borough, who often live there for the lifestyle rather than jobs. This is a partial explanation for the historically high rate of unemployment in the region. Average household size is larger here than in Anchorage (nearly 3 as compared with 2.7), and a bigger share of households own their homes.

Household income in the Matanuska-Susitna Borough is considerably below that of Anchorage, partly because of the composition of the work force, and partly because more people are not in the labor force, particularly in the more rural parts of the borough.

KENAI PENINSULA BOROUGH

About 41,000 Alaskans live in the Kenai Peninsula Borough, which covers 26,000 square miles to the south of Anchorage. The main commercial centers are Kenai-Soldotna, Homer, and Seward. Most other concentrations of population are at scattered points along the road network. A few communities (like Tyonek on the west side of Cook Inlet) are not accessible by road.

Petroleum, commercial fishing, tourism and recreation, state government, forestry, and small agriculture and mining operations form the economic base of the region.

About 1.1 billion barrels of crude oil and 4 trillion cubic feet (tcf) of natural gas have been produced from the Cook Inlet fields located on and offshore since 1958. Oil production is declining, but an estimated 3 tcf of gas remains. One of two petroleum refineries is still operating in the borough, and two gas processing plants north of Kenai comprise an industrial district. One plant converts gas to liquefied natural gas (LNG) for export to Japan, while the other produces ammonia urea (used in fertilizer) also for export.

The Kenai Peninsula Borough is also home to some North Slope oilfield workers, who are able to commute from Kenai or Homer through Anchorage due to excellent air connections.

The main commercial fishing center is located at Homer in the southwest part of the borough. The fleet fishes for high value species--halibut and salmon--not

only in Cook Inlet but also in Prince William Sound to the east and Bristol Bay and beyond to the west. Several processors are located in Homer and Seward. Smaller fishing fleets are located at Kenai and Seward. Cook Inlet also supports a commercial set net fishery.

The Kenai Peninsula Borough boasts some spectacular tourist attractions and recreational sites, including the Kenai River, site of some of the best king salmon fishing in the world, Kenai Fjords National Park, and Kachemak Bay State Park. Residents of Anchorage flock to the peninsula to fish, hunt, hike, sightsee, and pursue other activities. Kenai, Homer, and Seward are all important recreational destinations.

The same attractions bring many of the tourists visiting Anchorage to the borough as well. The greater distance from Anchorage and the presence of several hotels results in more overnight tourist visits than in the Matanuska-Susitna Borough.

There are a number of state owned facilities that provide jobs in the region. The largest is the state prison in Seward. A smaller prison near Soldotna is scheduled to be closed in 1992. The University of Alaska has branches in Kenai, Homer, and Seward. Seward and Homer are also terminals for the Alaska Ferry System.

Seward has a facility used in the export of about 1 million tons of coal annually. The coal is mined north of the Matanuska-Susitna Borough and is transported to Seward via the Alaska Railroad.

Seward is also the site of a new sawmill that operated for a brief period but closed when the owner, Chugach Native regional corporation, had financial trouble. There is potential for it to re-open with new owners. Agricultural activities are centered in the area surrounding Homer. Small mining operations are scattered throughout the borough.

Support activities in the borough consist of retail establishments and consumer services but also businesses providing support for the region's basic industries. These include firms providing services for the petroleum industry in the Kenai-Soldotna area, as well as services to the fishing fleet at Homer.

The region relies on Anchorage for more specialized household and business services, but there are three hospitals in the borough. Kenai is three hours from Anchorage by road, Homer about four hours, and Seward less than three. All are only a few moments from Anchorage by commuter airline.

The borough population is concentrated around the three commercial centers of Kenai-Soldotna, Homer, and Seward. Population swells in the summer due to the influx of tourists, both from Anchorage and from outside the state, and the increase in commercial fish harvesting and processing. The unemployment rate has historically been high because of the seasonal nature of

much of the economic base, and because there are several remote communities with little access to employment opportunities. Average household size is just slightly larger than that of Anchorage.

High wage rates in the petroleum industry help boost the average household income in the Kenai Peninsula Borough. Income to commercial fishermen fluctuates considerably from year to year with the price and size of the harvest.

Recent Trends

During the first half of the 1980s the Alaska economy enjoyed rapid growth in jobs and income, stimulated by the high world oil price. (Figure 24.) That high price boosted exploration and development by the oil industry, and more than tripled state revenues virtually overnight.

Growth of state spending as oil revenues grew not only accounted for the majority of economic growth during that period, but was also primarily responsible for the recession that followed. State spending was supporting the construction industry through large capital budgets as well as through housing and commercial subsidies. But as the growth in state spending tapered off, the construction industry eventually ran out of steam. Expectations of continued growth in retail and trade industries were unfulfilled, and a slowdown in the economy was the inevitable result.

The simultaneous completion of a number of expensive development projects on the North Slope sharpened the decline in the construction industry. Shortly thereafter the 1986 crash in the world oil price

exacerbated the decline. Falling oil prices reduced the cash flow of the oil companies, caused state government revenues to fall by \$1 billion in one year, and dealt a severe psychological blow to the economy.

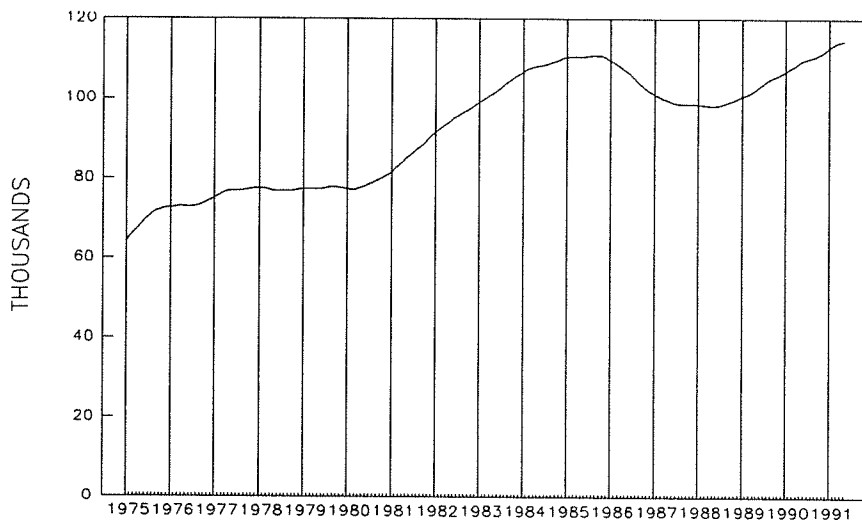
During the next three years the state lost about 10 percent (26,000) of its jobs. The primary losses were in the construction, trade, and services industries. Notably, there were no losses in the non-petroleum commodity producing industries or in the intangible export sectors (tourism, military, federal government). The job losses in the petroleum sector were only about 10 percent, even though the price of oil had fallen from \$25 to about \$10 in a matter of months. The rate of production of petroleum was scarcely affected.

Anchorage suffered the brunt of the economic decline, just as it had benefited most from the expansion in the early years of the decade. Population fell from nearly 250,000 in 1985 to less than 220,000 in 1988 before beginning to rebound. The apartment vacancy rate rose to 26 percent and in commercial property to more than 20 percent. The crash in the real estate market eventually took down many of the banks in the state along with a number of prominent long-time business leaders of the community.

Prices of single-family houses in Anchorage fell 25 percent, and condominium prices in many cases dropped more than 50 percent. Many recent buyers found themselves "underwater," owing far more on their homes than they would bring on the market, and without jobs or prospects of soon improving their situations. Thousands walked away from homes mortgaged by the Alaska Housing Finance Corporation. Predictions made at the time were that it would be 1995 before the excess stock of housing would be absorbed and construction of new residential and commercial space would resume.

The recession also hit hard in the Matanuska-Susitna Borough, where growth had been dominated by the real estate boom from overflow Anchorage demand. The Kenai Peninsula Borough was somewhat more insulated because of its greater dependence on the older and more stable Cook Inlet oil and gas fields, commercial fishing, and tourism. In fact, 1988 was a particularly good year for the salmon fisheries, due to a combination of high prices and high harvests.

Figure 24. Anchorage Wage and Salary Employment



The cleanup effort that followed the 1989 Exxon Valdez oil spill in Prince William Sound caused a boom that brought the economy out of the recession. Armies of cleanup crews, scientists, and lawyers descended on Southcentral Alaska as part of a four-year cleanup effort estimated to have cost between \$2 and \$4 billion. Coastal communities throughout Southcentral Alaska, including Homer and Seward in the Kenai Peninsula Borough, became staging areas and centers for the cleanup. A large part of the activities were channeled through Anchorage, and many of the cleanup workers were from Southcentral communities. The size of the cleanup effort overwhelmed the adverse economic impacts of the spill on seafood harvests and tourism, and monetary restitution was made to most affected parties. (The environmental consequences of the spill are still being assessed.)

Largely as a consequence of the oil spill cleanup, a series of good seafood harvests, and the temporary increase in the price of oil due to the Iraqi invasion of Kuwait in 1990, the Alaska economy enjoyed three years of solid growth from 1989 through 1991. It did not experience any of the adverse effects associated with the recession going on in the rest of the country. Employment in Anchorage in particular rebounded, and by 1991 was higher than ever. Most of the excess stock of housing and commercial floorstock was absorbed by the end of 1991, and housing prices were recovering to the level of replacement cost.

The Future

For the foreseeable future, the Alaska economy will continue to be dominated by commodity producing industries and intangible exports. The petroleum, mineral, and tourism industries are most likely to grow significantly. The resource base of the seafood and forest products industries has been more fully exploited, and so expansion of these industries must come from more intensive processing.

Since peaking in 1988 petroleum production has declined by 10 percent, as the Prudhoe Bay field is depleted. Although four additional fields have been brought into production, they are much smaller than Prudhoe Bay--although they are all giants by standards of other fields in the U.S.

Production is forecast to continue to decline through this decade and into the next. But in spite of declining production, the level of activity associated with production continues to be strong and could likely increase in future years. The industry continues to squeeze more oil out of the Prudhoe Bay field in four ways--enhancing the productivity of existing wells, drilling new wells,

expanding existing gas and water handling facilities, and applying enhanced recovery techniques. For example, the largest project currently underway is the second major phase of gas handling facilities, known as GHX-2. This \$1.5 billion project will extend the life of wells producing a large volume of gas along with their oil.

In addition to the further exploitation of producing fields, exploration continues on the North Slope as well as in other parts of the state. There are a number of identified reservoirs on the North Slope that have not yet been brought into production. Estimated reserves on the North Slope, including undeveloped fields at Point McIntyre, Niakuk, West Sak, and elsewhere, range from 4.9 to 8.7 billion barrels.

The methods for enhancing production from existing fields and the development of new fields are both more costly than the historical costs associated with the original development of the Prudhoe Bay field. For example, the daily average well production from the original well configuration at Prudhoe Bay was 7,000 barrels per day. The average had fallen to 1,600 by 1988, with infilling of well spacing to maintain the production level. This increasing intensity of exploitation requires increasing capital investments and labor. However, because these enhanced production techniques and new fields are more costly to develop on a per barrel basis, they require a higher oil price to be economic. Consequently production will be more sensitive to the expected price of oil than has been the case in the past.

Besides oil, there are more than 27 trillion cubic feet of gas reserves on the North Slope. Presently there is no market for this gas and it is reinjected as it is produced to maintain the crude oil production rate. The Yukon Pacific Company is actively pursuing markets for this gas in Japan and other Pacific Rim nations. Sale of the gas would require the construction of a pipeline from the North Slope running roughly parallel to the existing oil pipeline, as well as an LNG facility. The success of this venture requires a market for the gas, agreement by the owners to sell the gas, and a price high enough to justify construction of a multi-billion dollar pipeline. It now appears extremely unlikely this venture could proceed before 2000.

Two recent events herald a new direction for the petroleum industry in the state. The first was the recent decision by Congress to prohibit exploration and development of petroleum in the Arctic National Wildlife Range (ANWR), which is located to the east of Prudhoe Bay and which the industry regards as the best Alaska prospect for a large discovery. That decision will have a dampening effect on exploration activities

as long as the ban is in effect. However, Alaska's congressional delegation will continue to make reversing that decision a top priority.

The second recent event was the announcement by the two main oil companies operating in the state--ARCO Alaska and BP Alaska--and Alyeska Pipeline Service Company of staff reductions over the next three years. The oil companies want to save money as production declines. ARCO and BP are also attempting to save money by eliminating redundant functions. Ultimately these cost saving measures should enhance the attractiveness of additional production in Alaska.

The decline in oil production has important implications for the operation of state government and for the entire economy, since state spending is an unusually large contributor to the Alaska economy. Because the tax base of non-petroleum commodities is much less than that of petroleum, the state government will have to use some combination of budget reductions, new taxes on households, and Permanent Fund earnings to balance the budget in future years. These measures will have a depressing effect on economic growth, but those effects could be moderated if the state begins adjusting its expenditure and tax policy.

In fiscal year 1991, and again in the current fiscal year, the state has operated with a current account deficit of several hundred million dollars--which it financed by depleting accounts built up when the price of oil was high, and by using one-time settlements from oil companies over disputed tax and royalty payments. If state government continues this policy of deficit spending as long as possible, with no thought for the ultimate consequences, then an extremely abrupt transition to a balanced budget would be required when the reserves have been depleted. Many businesses and households will anticipate such changes, and change their own behavior--by cutting back their own spending, for instance--even before the state enacts new taxes or cuts spending.

If that happened--if the state continued to use up its reserves without an overall budget plan--state policies

could precipitate a recession some time during the next 5 years. Such a recession is not inevitable but it is certainly possible.

Mining and tourism are the other private basic industries with the strongest growth potential. Several mining prospects are currently under development around the state, including two in central Alaska--Wishbone Hill coal mine and the Fort Knox gold mine. As exploration continues and land ownership disputes are resolved, mining activity should continue to expand.

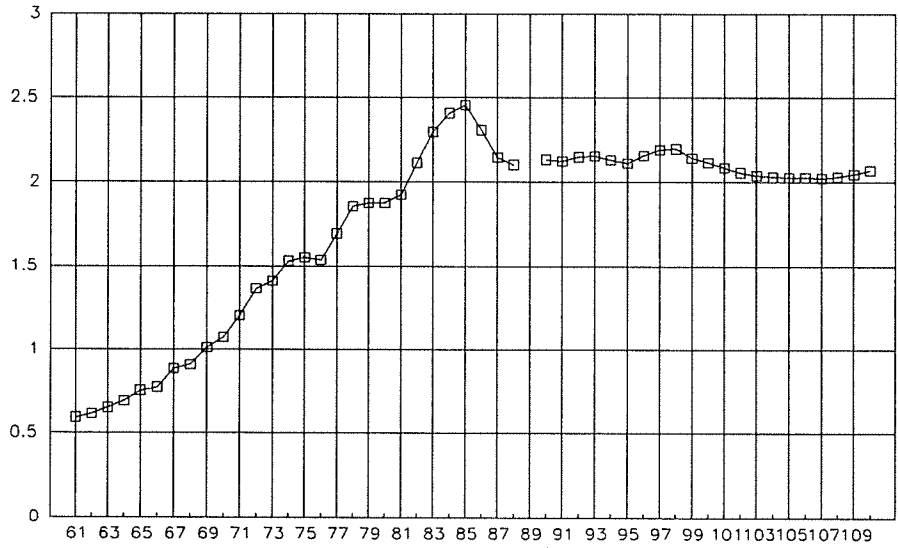
The large potential for expansion of tourism rests on expansion of the pool of potential tourists--both from other states and from abroad--as well as development of facilities, public as well as private, to satisfy the expansion of demand.

The future of the military presence in Anchorage is one area of uncertainty. It is possible the Department of Defense could close Fort Richardson in some future round of closings. On the other hand, the military presence in Anchorage could actually increase, if some units are reassigned from the Pacific region to the bases in Anchorage.

Whatever the future course of particular resource industries in the state, the economy will continue to depend on commodity production and will therefore be subject to the periodic ups and downs normally associated with these industries.

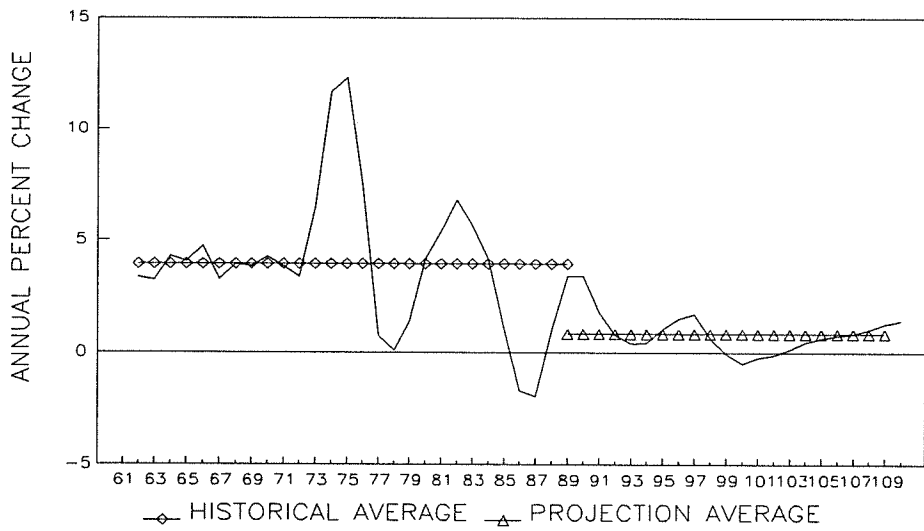
The support sectors of the economy, primarily trade and services, have seen the most rapid growth historically as the Anchorage economy has been transformed from that of a frontier town to that of a commercial center for most of the state. (Figure 25.) It has slowly supplanted Seattle in that function. These sectors will continue to expand in the future with the economy of the state, but at a slower rate than historically. Because of that slower growth in the support sectors, we can expect future growth in total employment to be slower than the historical average. (Figure 26.)

Figure 25. Ratio of Secondary Jobs to Basic Jobs



Secondary is defined to include support, infrastructure, and state/local government.

Figure 26. Alaska Employment (Annual Percent Change)



APPENDIXES A through H

ALASKA GROSS STATE PRODUCT: 1989
(MILLION \$)

TOTAL		\$23,761
OIL AND GAS		\$11,118
Production	\$8,817	
Transportation	\$2,079	
Processing	\$222	
SEAFOOD		\$789
Harvesting	\$551	
Processing	\$238	
FOREST PRODUCTS		\$477
Harvesting	\$211	
Processing	\$123	
TOURISM		\$319
MINING		\$82
Metal	\$57	
Other	\$24	
PUBLIC UTILITIES		\$1,449
TRANSPORTATION*		\$726
CONSTRUCTION		\$765
COMMUNICATIONS		\$372
SERVICES*		\$1,684
TRADE*		\$1,573
FINANCE, INSURANCE, REAL ESTATE		\$1,110
MANUFACTURING		\$56
AGRICULTURE		\$11
GOVERNMENT		\$3,549
Federal	\$1,576	
State and Local	\$1,974	

SOURCE: ISER GROSS STATE PRODUCT MODEL

NOTE: THE STATE TOTAL EXCEEDS THE SUM OF THE INDUSTRIES SINCE TRANSPORTATION, TRADE, AND SERVICES GSP INCLUDES TOURISM

ANCHORAGE ----- 1990 -----			
	Jobs	Payroll (\$000)	Monthly Wage
Total Industries	109,983	\$3,389,496	\$2,567
Mining	5,355	\$400,855	\$6,228
Construction	5,678	\$261,793	\$3,804
Manufacturing	2,308	\$56,419	\$2,037
Transportation, Comm. & Utilities	11,026	\$388,997	\$2,940
Wholesale Trade	5,605	\$186,996	\$2,782
Retail Trade	20,077	\$350,923	\$1,457
Finance, Ins. & Real Estate	5,682	\$163,920	\$2,404
Services	27,554	\$640,045	\$1,934
Agric., Forestry & Fishing	415	\$7,390	\$1,486
Nonclassifiable Establishments	105	\$2,138	\$1,702
Federal Government (Civilian)	10,373	\$351,015	\$2,820
State Government	7,554	\$263,852	\$2,912
Local Government	8,253	\$315,154	\$3,168
Population	226,338		
Households	82,702		
Personal Income		\$5,658,000	

MATANUSKA SUSITNA BOROUGH ---- 1990 -----			
	Jobs	Payroll (\$000)	Monthly Wage
Total Industries	7,077	\$176,746	\$2,081
Mining	NA	NA	NA
Construction	304	\$8,120	\$2,230
Manufacturing	96	\$2,136	\$1,849
Transportation, Comm. & Utilities	695	\$25,944	\$3,111
Wholesale Trade	134	\$2,559	\$1,598
Retail Trade	1,720	\$30,966	\$1,501
Finance, Ins. & Real Estate	191	\$4,329	\$1,889
Services	1,314	\$21,386	\$1,357
Federal Government	104	\$3,453	\$2,767
State Government	815	\$28,558	\$2,922
Local Government	1,574	\$45,027	\$2,384
Miscellaneous	NA	NA	NA
Population	39,683		
Households	13,394		
Personal Income		\$627,000	

KENAI PENINSULA BOROUGH --- 1990 -----			
	Jobs	Payroll (\$000)	Monthly Wage
Total Industries	13,899	\$406,341	\$2,440
Mining	1,175	\$59,774	\$4,239
Construction	717	\$30,253	\$3,474
Manufacturing	1,861	\$62,046	\$2,961
Transportation, Comm. & Utilities	995	\$34,746	\$2,903
Wholesale Trade	404	\$12,563	\$2,626
Retail Trade	2,152	\$30,982	\$1,204
Finance, Ins. & Real Estate	281	\$5,347	\$1,588
Services	2,687	\$51,944	\$1,612
Agric., Forestry & Fishing	NA	NA	NA
Nonclassifiable Establishments	NA	NA	NA
Federal Government	285	\$9,967	\$2,914
State Government	1,077	\$39,252	\$3,036
Local Government	2,059	\$62,166	\$2,506
Population	40,802		
Households	14,250		
Personal Income		\$832,000	

Source: Alaska Department of Labor and US Department of Commerce.

RESIDENTIAL CONSTRUCTION IN SOUTHCENTRAL ALASKA

	ANCHORAGE			KENAI PEN BOR		MATANUSKA SUSITNA BOROUGH		
	Total Housing Units			Total Housing Units		Palmer		
	Single Family	Other	Total	Number	Value (000s)	Number	Value (000s)	Balance of Borough
1973	701	334	1,035					
1974	1,132	441	1,573					
1975	1,426	1,079	2,505					
1976	952	2,125	3,077					
1977	1,663	2,237	3,900					
1978	1,282	1,209	2,491					
1979	513	624	1,137					
1980	785	286	1,071	131	\$87,329	23	\$1,384	
1981	1,785	816	2,601	161	\$228,785	4	\$250	
1982	2,796	2,461	5,257	282	\$336,150	79	\$5,105	
1983	3,612	5,470	9,082	555	\$597,261	91	\$4,228	
1984	2,615	1,994	4,609	497	\$360,446	75	\$4,135	
1985	1,466	968	2,434	444	\$217,073	101	\$4,654	
1986	581	310	891	124	\$82,755	11	\$766	
1987	175	7	182	72	\$24,295	1	\$25	
1988	208	0	208	66	\$31,298	0	\$0	59
1989	198	0	198	43	\$30,554	0	\$0	44
1990	396	0	396	26	\$62,496	0	\$0	45
1991	695	0	695	74	\$98,164	2	\$115	190

Sources: Anchorage: 1980-90: Municipality of Anchorage, Economic Development and Planning Department Anchorage Indicators, June 1991.
 1991 data from AK DOL Alaska Housing Market Indicators, April 1992.

Kenai Peninsula Borough: 1980-90: Kenai Peninsula Borough Economic Development District, Inc. (EDD), Situation and Prospects, 1990.
 1991 data from Aleja DeVito, EDD, personal communication, June 9, 1992.

Palmer: City of Palmer, Building Report, 1980-1991.
 Balance of Matanuska Borough: Alaska Department of Labor, Alaska Housing Market Indicators, April 1992.

VALUE OF NEW COMMERCIAL CONSTRUCTION IN SOUTHCENTRAL ALASKA
Dollar Value of Building Permits Issued (000's)

	Kenai Peninsula Borough				Matanuska-Susitna Borough	
	Homer	Kenai	Seward	Soldotna	Palmer	Balance of Borough
1980	\$33,235	NA	NA	\$4	\$0	NA
1981	\$143,981	NA	NA	\$309	\$1,579	NA
1982	\$153,964	NA	\$500	\$2,864	\$128	NA
1983	\$275,765	NA	\$2,500	\$5,046	\$5,190	NA
1984	\$270,771	NA	\$5,500	\$5,291	\$2,316	NA
1985	\$165,701	NA	\$14,500	\$2,190	\$4,473	NA
1986	\$104,176	\$914	NA	\$1,371	\$497	NA
1987	\$7,114	\$217	NA	\$529	\$45	NA
1988	\$10,098	\$1,920	NA	\$0	\$0	NA
1989	\$13,070	\$775	NA	\$0	\$505	NA
1990	\$24,854	\$253	NA	\$400	\$75	NA
1991	\$40,210	\$625	NA	\$2,851	\$277	NA

Sources: Anchorage: 1980-90: Municipality of Anchorage, Economic Development and Planning Department, Anchorage Indicators, June 1991.
1991: Municipality of Anchorage, Building Safety Division, Building Safety Activity Reports for 1991.

Homer: City of Homer, Planning and Zoning Department, "Building Permit Summary." Contact person: Bev Guyton.
Kenai: H Hackney of Building Permits Dept.
Seward: City of Seward, Building Inspector, Bob Ferguson. Personal communication June 15, 1992.
Soldotna: City of Soldotna, Public Works Administration. Personal communication with Dave Bennell, June 11, 1992.

Palmer: City of Palmer, Building Report, 1980-91.
Mat-Su Borough, Balance of--permits not required

RECEIPTS FROM SELECTED TYPES OF BUSINESS
ALASKA AND ALASKA CENSUS DIVISIONS
(million 1987 \$)

	-----RETAIL TRADE-----											
	Retail Trade	Services	Sum	Food	Gen. Mdse.	Auto Dealers	Eating & Drinking	Apparel & Accessory Supplies	Bldg Mat & Garden	Furniture & Home Frnsg.	Drug & Proprietary	Misc.
ANCHORAGE	\$1,953	\$1,064	\$3,017	\$377	\$370	\$304	\$280	\$127	\$94	\$88	\$67	NA
KENAI PENINSULA	\$223	\$72	\$295	\$77	\$3	\$26	\$27	\$10	\$27	\$13	\$5	\$21
MATANUSKA-SUSITNA	\$172	\$36	\$208	\$67	NA	\$31	\$12	\$7	\$12	\$15	NA	\$15
ALASKA	\$3,606	\$1,544	\$5,151	\$912	\$523	\$497	\$459	\$193	\$210	\$179	\$109	\$126
US TOTAL	\$1,493,309	\$772,194	\$2,265,503	\$301,847	\$181,147	\$333,420	\$148,777	\$77,391	\$81,487	\$101,997	\$74,783	\$53,825

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	-----SERVICES-----										
	Health	Engin. Acctg. Research	Legal	Business	Hotel	Auto Repair	Recrea-tional	Misc Repair	Personal	Social	
ANCHORAGE	\$242	\$201	\$169	\$162	\$86	\$59	\$49	\$41	\$37	\$11	
KENAI PENINSULA	\$13	\$6	\$3	\$19	\$13	\$4	\$5	\$6	\$3	NA	
MATANUSKA-SUSITNA	\$14	\$5	\$2	\$3	\$4	\$2	\$4	\$1	\$1	NA	
ALASKA	\$369	\$254	\$205	\$215	\$174	\$91	\$87	\$66	\$55	\$18	
US TOTAL	\$182,289	\$127,344	\$66,998	\$166,322	\$51,865	\$51,423	\$57,638	\$20,838	\$31,491	\$7,330	

Sources: Retail Trade: U.S. Dept. of Commerce, Bureau of the Census. 1987 Census of Retail Trade, Alaska. April 1989.
Services: U.S. Dept. of Commerce, Bureau of the Census. 1987 Census of Service Industries, Alaska. June 1989.

ASSESSED VALUE OF TAXABLE PROPERTY
(Million \$)

	-----Anchorage-----		Matanuska-Susitna Borough		-----Kenai Peninsula Borough-----					
	Real Property	Personal Property	Total	Real Property	Personal Property	Total	Real Property	Oil Related Property	Personal Property	Total
1977	\$3,472	\$889	\$4,361							
1978	\$4,158	\$681	\$4,839							
1978	\$4,868	\$714	\$5,582							
1980	\$5,519	\$751	\$6,269							
1981	\$5,977	\$880	\$6,857	\$771	\$73	\$843		\$512	\$181	\$2,062
1982	\$7,617	\$907	\$8,524	\$843	\$54	\$897		\$564	\$207	\$2,305
1983	\$9,002	\$1,224	\$10,226	\$970	\$60	\$1,030		\$579	\$228	\$2,421
1984	\$10,777	\$1,460	\$12,237	\$1,197	\$73	\$1,270		\$608	\$256	\$2,700
1985	\$12,691	\$1,551	\$14,242	\$1,575	\$92	\$1,667		\$580	\$307	\$3,000
1986	\$14,010	\$1,594	\$15,604	\$2,189	\$162	\$2,351		\$546	\$330	\$3,374
1987	\$10,331	\$1,484	\$11,815	\$2,366	\$173	\$2,539		\$497	\$354	\$3,535
1988	\$8,033	\$1,221	\$9,254	\$1,808	\$172	\$1,980		\$511	\$340	\$3,550
1989	\$7,303	\$1,058	\$8,360	\$1,514	\$155	\$1,669		\$488	\$327	\$3,083
1990	\$7,425	\$1,371	\$8,795	\$1,422	\$167	\$1,588		\$522	\$190 *	\$2,879
1991	\$7,874	\$1,347	\$9,221	\$1,536	\$176	\$1,712		\$642	\$296 *	\$3,088
1992				\$1,692	\$189	\$1,881				

* Assessed value for motor vehicles is not included. These taxes are now collected by the State of Alaska Division of Motor Vehicles at the time of licensing.

Sources: Anchorage: Municipality of Anchorage, Department of Economic Development and Planning, Anchorage Indicators, June 1991. Personal communication with Xiwei Yang, June 16, 1992, for 1991 data.

Matanuska-Susitna Borough: Matanuska-Susitna Borough, Assessor's Office, personal communication with Karl Borglum, June 16, 1992.

Kenai Peninsula Borough: Kenai Peninsula Borough Economic Development Distr., Inc., Situation and Prospects 1990. July 1991.

Appendix F

Anchorage: Population and Household Statistics

Population (1990)	230,185	
In households	214,419	
In group quarters	1,933	
On-base military	13,833	
Persons per household	2.66	
		Vacancy Rate
Housing units (1990)	89,207	
Single-family	39,572	6.6%
Duplex	11,900	10.0%
Multi-family	31,452	14.0%
Mobile home	6,283	14.3%
Vacant		8,689
Households (1990)	80,518	
Household distribution (1989)		
Family	54,553	
Married couple	43,990	
Single Parent	10,563	
Nonfamily	22,170	
Home Ownership (1989)		
Owner-occupied	44,069	
Renter-occupied	32,654	
Race and Ethnicity (1989)		
White	80.6%	
Black	5.8%	
Native	6.2%	
Asian	5.0%	
Other	2.4%	
Spanish Origin	3.5%	
Migration (1989)		
In	21,243	
Out	18,377	
Net	2,866	
Median Age (1989)	29.1	

RATIO OF AVERAGE ANNUAL EARNINGS PER WORKER: ALASKA COMPARED TO THE US AVERAGE
(Alaska earnings adjusted for higher cost of living)

Year	Construc- tion	Retail Trade	State Local Govt.	Mining	Oil & Gas Extraction	Manufac- turing	T.P.U.	Wholesale Trade	F.I.R.	Services	Govt. Federal Civilian	Total
1969	1.651	1.228	1.141	1.324	0.000	0.918	1.021	1.015	0.855	0.989	0.807	1.093
1970	1.642	1.232	1.175	1.320	0.000	0.975	1.020	1.029	0.904	0.998	0.812	1.118
1971	1.647	1.228	1.279	1.343	0.000	0.965	0.995	1.022	0.924	1.002	0.703	1.109
1972	1.668	1.222	1.264	1.204	0.000	0.917	0.987	1.009	0.918	0.966	0.591	1.061
1973	1.623	1.227	1.232	1.160	0.000	0.912	0.975	1.014	0.935	1.014	0.555	1.040
1974	2.067	1.288	1.259	1.136	0.000	0.991	1.086	1.071	0.885	1.108	0.536	1.165
1975	2.586	1.373	1.261	1.194	0.000	0.945	1.239	1.134	0.885	1.334	0.804	1.464
1976	2.927	1.354	1.339	1.257	0.000	0.967	1.214	1.178	0.916	1.388	0.781	1.569
1977	2.578	1.366	1.359	1.343	0.000	0.977	1.158	1.142	0.925	1.303	0.821	1.386
1978	2.137	1.349	1.395	1.422	0.000	0.970	1.140	1.094	0.947	1.119	0.810	1.252
1979	2.063	1.314	1.360	1.335	0.000	0.983	1.110	1.064	0.899	1.049	0.837	1.197
1980	2.238	1.362	1.468	1.290	0.000	0.961	1.141	1.096	0.877	1.100	0.845	1.256
1981	2.235	1.408	1.513	1.344	0.000	0.909	1.188	1.109	0.945	1.179	0.853	1.317
1982	2.255	1.405	1.503	1.313	1.454	0.902	1.189	1.127	1.005	1.195	0.842	1.332
1983	1.863	1.358	1.489	1.433	1.652	0.912	1.156	1.158	0.973	1.174	0.873	1.319
1984	1.746	1.315	1.434	1.414	1.626	0.888	1.124	1.092	0.977	1.126	0.872	1.262
1985	1.640	1.288	1.417	1.414	1.597	0.810	1.096	1.070	0.950	1.063	0.862	1.212
1986	1.588	1.200	1.386	1.637	1.962	0.774	1.090	1.014	0.929	1.005	0.876	1.166
1987	1.582	1.174	1.366	1.664	2.002	0.834	1.034	0.979	0.842	0.959	0.903	1.130
1988	1.605	1.171	1.337	1.655	1.899	0.833	1.094	0.943	0.803	0.971	0.941	1.131
1989	1.656	1.227	1.314	1.654	1.871	0.881	1.304	0.967	0.790	1.035	0.942	1.192
1990	1.640	1.218	1.247	1.596	1.776	0.856	1.080	0.962	0.736	1.007	0.932	1.139

Sources: Total Full-Time and Part-Time Employment, printouts dated April 1986 and Sept. 1991.
Personal Income by Major Source and Earnings by Industry, fiche dated August 1985; printout Sept. 1991.
EMPLOYMENT AND EARNINGS, ALASKA AND UNITED STATES, USDC BUREAU OF ECONOMIC ANALYSIS

Cost of living adjustment for Alaska from MAP ISER database.

REGIONAL ECONOMIC AND DEMOGRAPHIC DATA

==== ANCHORAGE BOROUGH Page 1 =====

Year	Total	Wage & Salary	Military	Old Def.	Proprietors- New Def.	Employment (000)	Con- struc- tion	Federal Civilian	State	Local	Business Firms (000)	[-Consumer-] Price Index (1982-84=100) CPI-W CPI-U
1960		20.672				2.366						35.2
1965		30.678				3.127		9.395				36.2
1969		37.786		2.690	4.483	40.476	3.142	8.874			1.731	40.7
1970	58.779	41.995	13.684	3.100	5.076	45.095	3.514	9.509			1.940	42.1
1971	62.398	45.452	13.580	3.366	5.691	48.818	3.924	9.530			2.016	43.4
1972	66.033	48.252	14.177	3.604	6.569	51.856	4.272	9.434			2.160	44.5
1973	68.261	50.627	13.842	3.792	6.704	54.419	4.178	9.558			2.359	46.4
1974	75.732	58.813	12.581	4.338	8.045	63.151	5.882	9.924			3.251	51.4
1975	86.817	69.608	12.486	4.723	9.264	74.331	6.838	10.222			3.676	58.5
1976	90.258	73.021	12.018	5.219	10.479	78.240	7.587	9.813			3.766	63.1
1977	95.220	76.995	11.948	6.277	11.524	83.272	7.795	10.058	6.750	4.351	4.163	67.2
1978	95.362	76.893	11.716	6.753	12.696	83.646	6.431	9.847	6.714	4.477	4.167	72.0
1979	96.415	77.502	11.862	7.051	12.697	84.553	5.735	9.758	7.657	4.746	4.250	79.0
1980	97.322	78.174	11.298	7.850	13.196	86.024	5.427	9.540	7.071	4.965	4.256	86.3
1981	104.916	86.162	10.833	7.921	12.581	94.083	5.894	9.580	7.231	5.528	4.604	92.9
1982	117.284	98.081	10.955	8.248	15.913	106.329	7.899	9.829	7.290	6.113	5.112	98.2
1983	122.436	102.703	10.531	9.202	19.200	111.905	9.405	9.902	7.290	6.484	6.680	99.2
1984	129.132	108.386	10.904	9.842	21.161	118.228	9.688	10.171	7.861	6.586	7.245	102.9
1985	131.844	110.888	10.829	10.127	22.674	121.015	8.838	9.860	8.520	7.257	7.365	105.8
1986	125.936	105.602	10.807	9.527	23.189	115.129	6.379	10.015	8.464	7.113	7.152	107.7
1987	120.116	99.553	11.712	8.851	22.915	108.404	5.172	10.315	8.385	6.580	6.682	107.9
1988	118.886	99.062	11.028	8.796	24.334	107.858	4.235	10.262	7.715	6.730	7.365	108.6
1989	123.742	103.440	11.018	9.284	24.129	112.724	4.783	10.190	7.602	7.150	7.365	111.7
1990		109.962	11.175		24.595		5.678	10.373	7.554	8.253		118.4
1991		111.662	10.990									124.0

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REGIONAL ECONOMIC AND DEMOGRAPHIC DATA

===== ANCHORAGE BOROUGH Page 2 =====											
[-----Personal Income-----]											
[-----Households-----]											
Year	Alaska Dept. of Labor	Population (000)	Municipality	US BEA	Census	Avg Survey Size	Unemployment # Rate (%)	Total (Million \$)	Disposable (Million \$)	Per Capita (Thousand \$)	Per Capita Disposable (Thousand \$)
								Nominal 1991\$	Nominal 1991\$	Nominal 1991\$	Nominal 1991\$
1960	82,833	82,833			21,853	3.41		\$676	\$569	\$5.48	\$4.62
1965	102,337	102,337			34,988	3.39	\$753	\$643	\$5.90	\$5.04	
1969	114,150	114,150	123.3				\$2,055	\$1,730	\$16.67	\$14.04	
1970	130,200	126,385	127.6				\$2,213	\$1,890	\$17.35	\$14.82	
1971	136,500	135,777	134.6				\$2,329	\$1,998	\$17.30	\$14.84	
1972	144,000	144,215	143.2				\$2,477	\$2,086	\$17.30	\$14.57	
1973	146,100	149,440	147.3				\$2,628	\$2,255	\$17.84	\$15.31	
1974	151,000	162,499	152.4				\$2,970	\$2,480	\$19.49	\$16.28	
1975	173,600	177,817	165.0				\$3,612	\$3,002	\$21.89	\$18.19	
1976	187,400	179,837	174.5				\$4,071	\$3,383	\$23.33	\$19.39	
1977	189,700	182,920	177.0				\$4,259	\$3,544	\$24.07	\$20.02	
1978	183,600	180,246	179.6				\$3,972	\$3,349	\$22.11	\$18.64	
1979	180,200	174,594	178.8				\$3,751	\$3,091	\$20.98	\$17.29	
1980	182,504	174,431	176.4		60,470	2.80	\$3,801	\$3,177	\$21.54	\$18.01	
1981	188,527	187,761	185.7				\$3,125	\$2,547	\$22.41	\$18.27	
1982	201,299	204,216	201.0				\$4,846	\$4,022	\$24.12	\$20.02	
1983	216,164	230,846	221.5		74,051	7.3	\$4,372	\$3,659	\$24.71	\$20.68	
1984	226,195	244,030	232.7		79,480	7.5	\$5,562	\$4,739	\$23.89	\$20.36	
1985	233,870	248,263	238.7		81,663	7.2	\$4,873	\$4,230	\$23.88	\$20.73	
1986	235,133	246,139	234.7				\$5,702	\$4,949	\$23.88	\$20.73	
1987	227,974	229,117	230.3		77,527	8.4	\$4,825	\$4,176	\$23.62	\$20.44	
1988	222,950	218,979	228.7		75,393	8.4	\$4,605	\$4,004	\$22.95	\$19.95	
1989	221,884	221,870	227.6		76,723	7.4	\$4,765	\$4,237	\$23.81	\$21.17	
1990	226,338	230,185	226.0		82,702	5.1	\$5,302	\$4,621	\$25.92	\$22.59	
1991		237,907			82,702	5.2	\$5,658	\$4,939	\$26.18	\$22.86	

REGIONAL ECONOMIC AND DEMOGRAPHIC DATA

==== MATANUSKA-SUSITNA BOROUGH Page 1 =====

Year	Total	Wage & Salary	Military	Def.	Old Def.	Proprietors- New Def.	Employment (000)	Con- struc- tion	Federal Civilian	State	Local	Business Firms (000)	[-Consumer-] Price Index (1982-84=100) CPI-W CPI-U
1960		0.529						0.022					35.2
1965		1.082						0.078	0.130				36.2
1969		1.001		0.392	0.441	0.641	0.596	1.393	0.083	0.124		0.077	40.7
1970	1.592	1.145	0.006	0.442	0.670	0.641	0.641	1.586	0.120	0.106		0.091	42.1
1971	1.856	1.414	0.000	0.464	0.708	0.670	0.670	1.856	0.141	0.099		0.118	43.4
1972	1.909	1.445	0.000	0.486	0.773	0.708	0.708	1.909	0.087	0.109		0.122	44.5
1973	2.093	1.607	0.000	0.546	0.904	0.773	0.773	2.093	0.098	0.107		0.117	46.4
1974	2.330	1.784	0.000	0.613	1.320	0.904	0.904	2.330	0.134	0.114		0.145	51.4
1975	2.550	2.020	0.000	0.795	1.533	1.043	1.043	2.550	0.188	0.124		0.177	58.5
1976	2.882	2.269	0.147	0.859	1.652	1.320	1.320	2.882	0.208	0.129		0.205	63.1
1977	3.466	2.524	0.158	0.976	1.546	1.533	1.533	3.319	0.219	0.108		0.275	67.2
1978	3.971	2.954	0.147	1.057	1.513	1.652	1.652	3.813	0.235	0.095		0.265	72.0
1979	4.201	3.078	0.057	1.075	1.557	1.546	1.546	4.054	0.184	0.097	0.403	0.285	79.0
1980	4.378	3.264	0.000	1.122	1.875	1.513	1.513	4.321	0.178	0.112	0.826	0.292	77.6
1981	4.775	3.700	0.000	1.395	2.439	1.875	1.875	4.775	0.253	0.102	0.460	0.328	86.3
1982	5.504	4.382	0.000	1.643	2.931	2.439	2.439	5.504	0.518	0.101	0.545	0.416	92.4
1983	6.749	5.354	0.000	1.736	3.309	2.931	2.931	6.749	0.778	0.104	0.596	0.661	97.4
1984	8.185	6.542	0.000	1.676	3.240	3.309	3.309	8.185	0.971	0.112	0.651	0.847	99.2
1985	8.732	6.996	0.000	1.571	3.245	3.240	3.240	8.732	0.710	0.100	0.737	0.939	103.3
1986	8.375	6.699	0.000	1.551	3.265	3.245	3.245	8.375	0.427	0.105	0.763	0.825	105.8
1987	7.764	6.193	0.000	1.637	3.229	3.265	3.265	7.764	0.261	0.102	0.759	0.721	107.7
1988	7.646	6.095	0.000	1.637	3.229	3.265	3.265	7.646	0.179	0.099	0.791		107.9
1989	8.147	7.077	0.000	1.637	3.229	3.265	3.265	8.147	0.222	0.104	0.813		108.2
1990		7.077	0.000	1.637	3.229	3.265	3.265	8.147	0.222	0.104	0.813		108.6
1991		7.727	0.000	1.637	3.229	3.265	3.265	8.147	0.304	0.104	0.815		111.7
													111.3
													117.7
													118.6
													123.8
													124.0

REGIONAL ECONOMIC AND DEMOGRAPHIC DATA

MATANUSKA-SUSITNA BOROUGH Page 2

Year	Population (000)		Unemployment #	Labor Force (000)	Unemployment Rate (%)	Households		Total (Million \$)	Disposable (Million \$)		Personal Income		Per Capita Disposable (Thousand \$)		
	Alaska Dept. of Labor	Municipality/Borough				Number (000)	Avg Survey Size		Nominal	1991\$	Nominal	1991\$	Nominal	1991\$	Nominal
1960	5,188	5,220				1,501	3.38	\$27	\$83	\$23	\$70	\$4.24	\$12.91	\$3.57	\$10.87
1965	6,125							\$32	\$93	\$27	\$80	\$4.76	\$14.00	\$4.07	\$11.96
1969	7,000		6.4					\$38	\$108	\$32	\$92	\$5.20	\$14.83	\$4.46	\$12.73
1970	6,600	6,509	6.7			1,841	3.40	\$45	\$126	\$38	\$106	\$5.81	\$16.16	\$4.89	\$13.61
1971	7,200	7,293	7.3					\$52	\$138	\$44	\$118	\$6.15	\$16.41	\$5.28	\$14.08
1972	7,800	8,310	7.8					\$70	\$168	\$58	\$140	\$7.78	\$18.74	\$6.50	\$15.65
1973	8,500	8,170	8.4					\$104	\$221	\$87	\$183	\$10.22	\$21.63	\$8.49	\$17.98
1974	9,400	9,787	9.0					\$138	\$270	\$114	\$224	\$11.83	\$23.21	\$9.83	\$19.28
1975	11,100	12,462	10.2					\$162	\$298	\$134	\$248	\$12.74	\$23.47	\$10.60	\$19.53
1976	13,500	14,606	11.6					\$183	\$314	\$154	\$265	\$12.66	\$21.76	\$10.67	\$18.35
1977	15,500	15,573	12.7					\$196	\$307	\$161	\$253	\$12.08	\$18.93	\$9.95	\$15.60
1978	16,700	15,400	14.4					\$220	\$316	\$184	\$264	\$12.31	\$17.66	\$10.29	\$14.77
1979	18,400	18,536	16.2			5,699	3.06	\$274	\$365	\$223	\$298	\$15.22	\$20.28	\$12.40	\$16.53
1980	18,637	17,816	17.9	9,368	1,426			\$361	\$455	\$300	\$378	\$17.87	\$22.53	\$14.83	\$18.70
1981	19,908	22,329	18.0	8,851	1,201			\$450	\$564	\$377	\$472	\$18.82	\$23.56	\$15.75	\$19.72
1982	23,083	27,649	20.2	10,289	1,413			\$516	\$621	\$440	\$529	\$17.99	\$21.64	\$15.33	\$18.44
1983	27,971	30,568	23.9	12,843	1,788			\$552	\$646	\$479	\$561	\$15.48	\$18.11	\$13.44	\$15.72
1984	33,552	34,122	28.7	15,854	1,960			\$623	\$623	\$469	\$539	\$13.85	\$15.92	\$11.99	\$13.78
1985	37,670	41,093	35.7	16,053	2,556			\$507	\$581	\$441	\$506	\$13.01	\$14.93	\$11.31	\$12.98
1986	39,974	44,280	39.1	16,267	2,969			\$521	\$595	\$463	\$529	\$13.67	\$15.63	\$12.16	\$13.90
1987	39,050	39,050	38.9	15,500	2,873			\$578	\$643	\$504	\$560	\$14.81	\$16.47	\$12.91	\$14.36
1988	37,985	37,985	38.1	14,973	2,350			\$627	\$655	\$547	\$572	\$15.70	\$16.42	\$13.71	\$14.33
1989	38,953	36,568	39.0	14,719	1,793										
1990	39,683	39,683	39.9	15,546	1,908	13,394	2.92								
1991		41,797		16,823	2,246		13.4								

REGIONAL ECONOMIC AND DEMOGRAPHIC DATA

KENAI PENINSULA BOROUGH Page 1

Year	Total	Wage & Salary	Military	Old Def.	Proprietors- New Def.	Employment (000)	Civilian	Con- struction	Federal	State	Local	Business Firms (000)	[- Consumer-] Price Index (1982-84=100)	CPI-W	CPI-U
1960		0.927						0.053					35.2		
1965		2.377						0.525	0.166				36.2		
1969	NA	4.792		NA	NA	NA	NA	0.756	0.163			0.269	40.7		
1970	5.543	4.268	0.575	0.700	NA	4.968	0.354	0.161	0.165			0.267	42.1		
1971	5.424	4.226	0.436	0.762	NA	4.988	0.469	0.165	0.129			0.258	43.4		
1972	5.619	4.632	0.106	0.881	NA	5.513	0.445	0.112	0.112			0.272	44.5		
1973	5.949	4.923	0.068	0.958	NA	5.881	0.374	0.119	0.143			0.313	46.4		
1974	6.632	5.422	0.068	1.142	NA	6.564	0.456	0.140	0.140			0.478	51.4		
1975	7.645	6.738	0.075	0.832	NA	7.570	0.634	0.130	0.130			0.560	58.5		
1976	8.613	7.602	0.068	0.943	NA	8.545	1.066	0.162	0.162			0.561	63.1		
1977	9.122	8.487	0.071	1.163	NA	9.650	1.844	0.172	0.172			0.662	67.2		
1978	9.122	7.782	0.052	1.288	NA	9.070	0.497	0.180	0.180			0.669	72.0		70.2
1979	9.596	8.138	0.070	1.388	3.387	9.526	0.418	0.172	0.172			0.691	79.0		77.6
1980	9.861	8.397	0.067	1.397	3.275	9.794	0.617	0.180	0.180	0.528	1.189	0.637	86.3		85.5
1981	10.595	9.115	0.068	1.412	3.377	10.527	0.705	0.170	0.170	0.582	1.198	0.676	92.9		92.4
1982	11.392	9.853	0.068	1.471	4.135	11.324	0.795	0.169	0.169	0.646	1.347	0.736	98.2		97.4
1983	11.946	10.399	0.072	1.475	6.030	11.874	1.005	0.192	0.192	0.700	1.525	1.022	98.9		99.2
1984	13.046	11.402	0.070	1.574	6.120	12.976	1.326	0.210	0.210	0.779	1.691	1.161	102.9		103.3
1985	13.937	12.213	0.072	1.652	6.244	13.865	1.387	0.210	0.210	0.836	1.870	1.229	105.8		105.8
1986	13.089	11.435	0.077	1.577	6.359	13.012	0.864	0.225	0.225	0.823	1.885	1.199	107.7		107.8
1987	12.391	10.804	0.072	1.515	6.132	12.319	0.642	0.216	0.216	0.787	1.948	1.157	107.9		108.2
1988	12.717	11.089	0.085	1.543	6.433	12.632	0.619	0.248	0.248	0.912	1.859		108.3		108.6
1989	14.888	13.067	0.088	1.733	6.275	14.800	0.824	0.269	0.269	1.063	1.980		111.3		111.7
1990		13.891	0.080		6.372			0.717	0.285	1.077	2.059		118.4		118.6
1991													123.8		124.0

REGIONAL ECONOMIC AND DEMOGRAPHIC DATA

KENAI PENINSULA BOROUGH Page 2

Year	Population (000)		Households		Unemployment # Rate	Total (Million \$)		Disposable (Million \$)		Per Capita (Thousand \$)			
	Alaska Dept. of Labor	Municipality/ Borough BEA	Number(000) Census	Avg Survey Size		Nominal	1991\$	Nominal	1991\$	Nominal	1991\$	Nominal	1991\$
1960	9.053	9.053	2.652	3.24		\$61	\$185	\$51	\$156	\$3.76	\$11.43	\$3.17	\$9.63
1965	10.659	10.659				\$68	\$200	\$58	\$171	\$4.12	\$12.10	\$3.51	\$10.33
1969	16.250	16.300	16.2			\$75	\$213	\$64	\$183	\$4.53	\$12.91	\$3.88	\$11.08
1970	16.800	16.586	16.5	3.48		\$81	\$226	\$68	\$190	\$4.86	\$13.51	\$4.09	\$11.37
1971	17.200	16.782	16.5			\$95	\$254	\$82	\$218	\$5.98	\$15.96	\$5.13	\$13.69
1972	17.700	16.200	16.7			\$118	\$284	\$99	\$237	\$7.33	\$17.65	\$6.12	\$14.74
1973	18.400	16.254	15.9			\$172	\$364	\$143	\$303	\$9.40	\$19.90	\$7.81	\$16.54
1974	19.200	16.645	16.1			\$225	\$442	\$187	\$367	\$11.37	\$22.32	\$9.45	\$18.54
1975	21.300	18.770	18.3			\$269	\$496	\$224	\$413	\$12.58	\$23.17	\$10.47	\$19.28
1976	22.500	21.843	19.8			\$288	\$494	\$242	\$417	\$12.72	\$21.87	\$10.72	\$18.44
1977	23.900	24.611	21.4			\$312	\$488	\$257	\$402	\$13.25	\$20.76	\$10.91	\$17.10
1978	24.500	25.335	22.6			\$354	\$507	\$296	\$424	\$13.74	\$19.71	\$11.48	\$16.47
1979	25.800	25.507	23.5			\$397	\$529	\$323	\$431	\$14.43	\$19.23	\$11.76	\$15.67
1980	26.424	25.842	25.7	2.92	1.823	\$471	\$593	\$391	\$492	\$15.42	\$19.44	\$12.80	\$16.14
1981	27.599	25.282	27.5		1.728	\$542	\$678	\$453	\$567	\$16.14	\$20.20	\$13.51	\$16.91
1982	31.051	25.282	30.5		2.165	\$577	\$694	\$492	\$591	\$15.44	\$18.58	\$13.15	\$15.83
1983	35.148	35.769	33.6		2.379	\$659	\$771	\$572	\$670	\$16.12	\$18.86	\$13.99	\$16.37
1984	38.275	35.769	37.4		2.277	\$641	\$737	\$555	\$638	\$15.61	\$17.94	\$13.51	\$15.53
1985	40.645	38.919	40.9		2.282	\$617	\$708	\$536	\$615	\$15.05	\$17.27	\$13.09	\$15.01
1986	41.653	38.919	41.1		3.045	\$796	\$886	\$694	\$772	\$16.57	\$18.94	\$14.74	\$16.84
1987	40.871	43.612	41.0		2.845	\$832	\$870	\$726	\$760	\$19.55	\$21.75	\$17.04	\$18.95
1988	39.949	43.612	40.5		2.406								
1989	40.117	40.312	40.7		1.779								
1990	40.802	40.802	40.8	2.79	2.066								
1991			14.250		2.463								

Introduction and Overview of the Economy

Alaska covers 375 million acres and includes everything from rain forests to permanently frozen ground. Its southernmost point lies hundreds of miles north of the other states, and it was only 50 years ago that construction of the Alaska Highway made it possible to reach Alaska overland. Within the state, the vast distances and rugged terrain mean that most of the remote places are still accessible only by air or water.

Just over half a million people live in Alaska. More than 40 percent live in Anchorage. If we add the adjacent boroughs--Kenai Peninsula to the south and Matanuska-Susitna to the north--close to 60 percent of Alaskans live in less than 10 percent of Alaska's land area (See Maps 1 and 2.)

Many Alaskans outside the Southcentral region live in Fairbanks in the Interior or Juneau in Southeast. The rest make their homes in a handful of cities and towns with populations of a few thousand, and in small villages scattered throughout the state.

Anchorage, a city of close to 250,000, is the center of commercial activity for Alaska. It is located on Cook Inlet, 1,400 miles north of Seattle--on the same latitude

as Oslo, Norway--and enjoys a climate moderated by the ocean. Anchorage is a new city, established only in 1915 as a base for construction of the Alaska Railroad. Although it grew with military presence during World War II, it was only after Alaska became a state in 1959 that Anchorage began to take its present form.

Because so much of Alaska's population is concentrated in Anchorage, and because it provides support services for much of the state, virtually anything that affects the Alaska economy affects Anchorage in one way or another. Several features of the Alaska economy make it different from that of other states:

- *Only in the past 30 years has Alaska's infrastructure developed.* Before Alaska became a state in 1959, the economy was dominated by the federal government and private companies based in Seattle and interested only in quick profits. Little economic infrastructure existed beyond what was necessary to support the military and to exploit the seafood, timber, and mineral resources of the state. The absence of infrastructure meant that the cost of business was extremely high.

A major theme in the evolution of the state has been putting in place the infrastructure and the support services to reduce costs and make economic develop-

