The Economic Benefits of Alaska’s Construction Industry and 2020 Construction Spending Forecast

Resource Development Council of Alaska

February 20, 2020
• Research and consulting since 1972
• Offices in Juneau and Anchorage
• Economic Analysis, Community Economic Planning, Business Development, Survey Research and others
• Conducted 100+ economic impact studies including Alaska’s:
  ▪ Oil and Gas Industry (AOGA)
  ▪ Mining Industry (AMA)
  ▪ Seafood Industry (ASMI)
  ▪ Visitor Industry (DCCED/ATIA)
  ▪ And many more....
Our Assignment

1. Economic Impact of Alaska’s Construction Industry
2. Forecast 2020 Construction Spending
Presentation Goals

- Brief Overview of Methods
- Alaska’s Construction Industry Jobs and Income Impacts
- Construction Funding Sources and Trends
- Construction Jobs and Income Trends
- 2020 Construction Spending Forecast
- Q&A
Methodology

• Compiled and analyzed secondary data from published and unpublished sources
• IMPLAN™ (Impact Analysis for PLANning) input-output modeling and refinements
• Interviews with an array of construction industry leaders (i.e., commercial and industrial structural, highway, residential, etc.) to gain better understanding of spending patterns and inform the modeling
• Connected with >125 businesses and organizations about 2019 and 2020 spending (ISER method)
Alaska’s Construction Industry Job and Income Impacts
How Money Flows Through Our Economy

Construction Companies

Direct Spending with Alaska Businesses

Indirect Employment and Payroll

Direct Employment and Payroll in Alaska

Induced Employment and Payroll
In 2018, Alaska’s Construction Industry...

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed Alaskans</td>
<td>Employed 23,613 workers, including wage and salary, and self-employed workers</td>
</tr>
<tr>
<td></td>
<td>82% Alaska Residents making 86% of Alaska wages</td>
</tr>
<tr>
<td></td>
<td>1 in 20 Alaska jobs (5%) was in construction</td>
</tr>
<tr>
<td>Paid Alaskans</td>
<td>Paid $2.2 billion in labor income, or 7% of all earnings in Alaska</td>
</tr>
<tr>
<td>Generated Multiplier Effects</td>
<td>Total impacts of 41,300 jobs and $3.3 billion in wages</td>
</tr>
<tr>
<td></td>
<td>9% of total employment in Alaska</td>
</tr>
<tr>
<td></td>
<td>10% of total labor income in Alaska</td>
</tr>
</tbody>
</table>
Construction Wage and Salary Jobs, by Type

Total Wage and Salary Employment: 15,821

- Specialty Trade Contractors: 7,249 (46%)
- Building Construction: 4,503 (28%)
- Heavy Construction: 4,069 (26%)

Source: Alaska Department of Labor and Workforce Development.
Construction Wages

Total Wages: $1.25 Billion

<table>
<thead>
<tr>
<th>Industry</th>
<th>Wages (in millions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy Construction</td>
<td>$424.1</td>
<td>34%</td>
</tr>
<tr>
<td>Specialty Trade Contractors</td>
<td>$499.1</td>
<td>40%</td>
</tr>
<tr>
<td>Building Construction</td>
<td>$327.2</td>
<td>26%</td>
</tr>
</tbody>
</table>

Annual Average Wage Comparisons

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Wage (in dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure and Hospitality</td>
<td>$24,396</td>
</tr>
<tr>
<td>Retail</td>
<td>$31,968</td>
</tr>
<tr>
<td>Average</td>
<td>$55,140</td>
</tr>
<tr>
<td>Government</td>
<td>$58,344</td>
</tr>
<tr>
<td>Health Care</td>
<td>$59,896</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>$62,628</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>$66,912</td>
</tr>
<tr>
<td>Construction</td>
<td>$79,020</td>
</tr>
<tr>
<td>Utilities</td>
<td>$90,228</td>
</tr>
<tr>
<td>Mining</td>
<td>$112,836</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>$147,660</td>
</tr>
</tbody>
</table>

Source: Alaska Department of Labor and Workforce Development.
Seasonality

Monthly Construction Employment in Alaska, by Type, 2018

Source: Alaska Department of Labor and Workforce Development.
Construction Funding
Sources and Trends
Sources

1. Federal Construction Spending
   • U.S. Federal Contracts
   • U.S. Federal Assistance

2. State Government Capital Budget Construction Spending

3. Residential Construction

4. Other Private Sector Construction
Federal Contract Spending, $Millions
FFY2011-2019

## U.S. Army Corps of Engineers Spending
$Million, FFY2016-2019

<table>
<thead>
<tr>
<th>FFY</th>
<th>Military Construction</th>
<th>Missile Defense</th>
<th>Sustainment, Restoration, and Modernization</th>
<th>Civil Works</th>
<th>Environmental</th>
<th>Inter-agency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$157</td>
<td>$64</td>
<td>$0</td>
<td>$89</td>
<td>$85</td>
<td>$112</td>
<td>$507</td>
</tr>
<tr>
<td>2017</td>
<td>$175</td>
<td>$125</td>
<td>$50</td>
<td>$40</td>
<td>$75</td>
<td>$100</td>
<td>$565</td>
</tr>
<tr>
<td>2018</td>
<td>$200</td>
<td>$150</td>
<td>$50</td>
<td>$50</td>
<td>$100</td>
<td>$50</td>
<td>$600</td>
</tr>
<tr>
<td>2019</td>
<td>$210</td>
<td>$180</td>
<td>$80</td>
<td>$40</td>
<td>$110</td>
<td>$20</td>
<td>$640</td>
</tr>
</tbody>
</table>
U.S. Federal Assistance and Other Government Funding Match, $Millions FFY2011-2019

State of Alaska Capital Spending on Construction, $Billions, SFY2009-2019

Residential Construction, New Housing Permits, 2009-2018

Source: U.S. Census Bureau and Municipality of Anchorage.
Construction Job and Income Trends
Construction Job and Wage Trends (including Self-Employed) 2009-2018

Source: U.S. Bureau of Economic Analysis.
2020 Construction Spending Forecast
Spending Forecast Big Picture

$6.7 Billion  
(↓8% from 2019)

Private Sector – $4.4 Billion  
(← from 2019)

Public Sector – $2.3 Billion  
(↓13% from 2019)
Private Sector Spending
Petroleum and Mining Sector

Petroleum

$2.9 Billion

+6%

ConocoPhillips, Oil Search, and Others

Mining

$170 Million

-36%

Greens Creek, Pogo, and Others
Other Basic Industry and Utilities

**Other Basic Industries**

- **$200 Million**
  - +111%
  - Visitor Industry

**Utilities**

- **$150 Million**
  - -67%
  - Chugach Electric, Interior Gas Utility, MEA, MTA, and Others
Health Care and Other Industrial/Commercial Development

Health Care

$300 Million

+6%

Maple Springs, Fairbanks Memorial, TCC, WMC, YKHC and Others

Other Industrial/Commercial

$300 Million

+18%

AWAIC, SHI, and Others
## Residential

<table>
<thead>
<tr>
<th>Residential</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$350 Million</td>
<td>+8%</td>
</tr>
</tbody>
</table>

Growth Yet Population Decline
Public Sector Spending
**Highway/Roads and Airports/Ports/Harbors/Railroad**

<table>
<thead>
<tr>
<th>Highway and Roads</th>
<th>Airports/Ports/Harbors/Railroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>$600 Million</td>
<td>$350 Million</td>
</tr>
<tr>
<td>-12%</td>
<td>-17%</td>
</tr>
<tr>
<td>Seward Highway, Sterling Highway, Dalton Highway, Parks Highway, Richardson Highway and Others</td>
<td>Runway and terminal improvements, resurfacing, harbor maintenance and refurbishment, track rehabilitation/improvements</td>
</tr>
</tbody>
</table>
National Defense and Other Federal Government Spending

**National Defense**

<table>
<thead>
<tr>
<th>$500 Million</th>
<th>-30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>USACE, F-35</td>
<td></td>
</tr>
</tbody>
</table>

**Other Federal Government**

<table>
<thead>
<tr>
<th>$175 Million</th>
<th>-3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Authorities and Others</td>
<td></td>
</tr>
</tbody>
</table>
Education and Other State/Local Government

**Education**

- **$200 Million**  
  -19%
  
  School Construction, Renovation, Replacement, and Additions

**Other State and Local Gov.**

- **$350 Million**  
  -4%
  
  Bulk Fuel Upgrades, Public Housing, Community Development, Pioneers Home, and Others
Earthquake

<table>
<thead>
<tr>
<th>$100 Million</th>
<th>$50 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing, Businesses, Roads, Bridges, and Schools</td>
<td></td>
</tr>
</tbody>
</table>

McDowell Group
In Summary
The Big Takeaways

1. 23,600 construction jobs, earning $2.2 billion (82% Alaska Resident Hire and 86% Alaska Resident Wages Paid)

2. Total Economic Impact of Industry: 41,300 jobs (9% of Alaska’s jobs) $3.3 billion (10% of Alaska earnings)

3. Construction industry is a steady source of jobs in Alaska’s economy with signs of an upswing

4. $6.7 Billion in construction spending in 2020. Bright spots include petroleum sector and visitor industry
Want to know more?

Download our study at: www.agcak.org
Questions and Thank you!

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