What Drives Southeast’s Economy? Developing an Economic Base Model

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Prepared by: McDowell Group, Inc.
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Why a new modeling tool for the SE economy?

- Published data doesn’t tell us much
  - *Nothing gives us a clear, complete picture*
- A new model can...
  - *Provide a better understanding of what drives the economy*
  - *Provide the tools to measure the impact of ED projects and programs*
The modeling challenges...

- 70,000 residents in 34 communities spread over 25,000 square miles
- Widely varied community socioeconomics
- Complex inter-community economic relationships
- Porous economic borders (imports, exports, Non-Resident participation)
Traditional measures of the economy’s size and strength

- Population
- Employment and payroll
- Personal income
- Output (model based)
How big is Southeast Alaska’s Economy? About 36,400 jobs and $1.5 billion in payroll
How big is Southeast Alaska’s Economy? About $3.2 Billion in Personal Income

- Earnings: $2,093
- Dividends, Interest, and Rent: $601
- Transfer Receipts: $496
How big is Southeast Alaska’s Economy? About $6.2 Billion in “Output”
An “Economic Base” Model

Reflects where the money comes from…

* We draw money into the regional economy by exporting a product or service to an outside market
  * Seafood
  * Minerals
  * Forest products
  * The “visitor experience”
  * Management of national assets (the Tongass) and programs
  * Management of state government programs and services
    * (oil and federal $)
What is the region’s economic base? Where does the money come from?

- State Government (Oil)
- Federal Government
- Seafood
- Tourism
- Retiree Income and Other Quality of Life Factors
- Shipbuilding, Logging, Beer, etc.
- Mining
But we need to know more than where the money comes from...

- How does the money flow through the regional economy? How/where is it spent? And re-spent?
- A mining dollar is not the same as a federal dollar or tourist dollar
- The “multiplier effect”
What’s a Multiplier?

- Measure direct, indirect and induced economic activity
  - **Direct**: jobs and income generated at the shipyard
  - **Indirect**: jobs and income generated by ASD spending on goods and services
  - **Induced**: Jobs and income generated by employees spending their payroll dollars
More about multipliers

- Low multipliers in Alaska
- Factors include location, service and supply needs, workforce residency and wages, taxes
- MG’s work in tourism, fishing/seafood, mining, forest products, marine services, etc., is an advantage
Basic and Support Sectors

Basic Sectors
- Federal Government
- State Government (Oil)
- Tourism
- Seafood
- Mining
- Retiree Income and Other Quality of Life Factors
- Shipbuilding, Logging, Beer, etc.

Support Sectors
- Trade
- Financial Activities
- Trans. and Utilities
- Information
- Professional and Business Services
- Education and Health Services
- Construction
- Other Services
- Local Government
Three ways to make an economy grow

- Grow the economic base
  - Sell more fish, serve more visitors, mine more gold
  - Add value to what we already produce
- Reduce the cost of doing business
  - Infrastructure development
- Increase the multiplier
  - Reduce the “leakage”
Some development does all three, such as KSY:

- *Draws new money into the region*
  - Chevron fueling station, M/V Susitna
- *Reduces the cost of doing business*
  - For Alaska-based vessel owners
- *Reduces leakage (increases the multiplier for other sectors)*
  - AMHS maintenance (and construction?)
  - Regional fleet service (otherwise goes to Seattle)
The Southeast Economic Base Model...

- Will include building and maintaining a regional economic indicators data base
  - Including a variety of regional and local indicators
  - Allowing us to track progress to our economic development goals
How do we measure economic development success? What’s the goal?

- Population growth?
- Job growth? (all jobs, or just for residents? Year-round and seasonal?)
- Income growth? (total, per capita, excl. transfers?)
- Lower cost of living?
- Standard of living?
In summary, a SE base model can help us...

- Better understand our economy
- Measure the potential benefits of ED programs and projects
- Aid in benefit/cost analysis
- Track progress towards our goals
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