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STATE OF ALASKA  
DEPARTMENT OF COMMERCE,  
COMMUNITY, AND  
ECONOMIC DEVELOPMENT

BILL WALKER  
GOVERNOR  
State of Alaska

2013

# ALASKA ECONOMIC PERFORMANCE REPORT

CHRIS HLADICK  
COMMISSIONER  
Department of Commerce,  
Community, and Economic Development

BRITTENY  
CIONI-HAYWOOD  
DIRECTOR  
Division of Economic Development



# ALASKA DIVISION OF ECONOMIC DEVELOPMENT

## 2013 ALASKA ECONOMIC PERFORMANCE REPORT

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Department of Commerce, Community, and Economic Development  
Division of Economic Development

PHYSICAL LOCATION:  
3032 Vintage Park Boulevard, Suite 100 • Juneau, Alaska 99801

MAILING ADDRESS:  
PO Box 110804 • Juneau, Alaska 99811  
Phone 907.465.2510 • Fax 907.465.3767 • TDD 907.465.5437

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Please contact (907) 269-4560 or [lorence.williams@alaska.gov](mailto:lorence.williams@alaska.gov) to make any necessary arrangements.

TELEPHONIC DEVICE FOR THE DEAF (TDD) | (907) 465-5437

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## ALASKA'S ECONOMIC STATUS

The Alaska Department of Commerce, Community, and Economic Development (DCCED) strives to strengthen and diversify the state's economy as part of improving the quality of life for all Alaskans. Abundant natural resources, a pioneering can-do spirit, and a unique global position combine to create growth in Alaska. In addition to expanding opportunities in established industries like mining, seafood, and tourism, DCCED continues to promote the development of emerging industries, manufacturing, and timber production in Alaska.

2013 was a strong year for Alaska's economy. Major economic indicators show positive progress, and a vibrant private sector led the way with continued job growth and opportunities for Alaskans.

Some key economic highlights of 2013 include:

- Alaska's mineral industry increased production despite lower global commodity prices. In 2013, production totals for gold, silver, and zinc were above 2012 levels by 5 percent, 6 percent, and 3 percent respectively. Between 2001 and 2013 the industry has doubled its employment—and that increase is projected to continue as exploration and development projects grow throughout the state<sup>1</sup>.
- Alaska's fishermen brought in 5.8 billion pounds of seafood valued at \$1.9 billion, up from 5.3 billion and \$1.7 billion in 2012 respectively<sup>2</sup>. Domestic and international markets are expected to remain strong as consumers continue to demand high quality, sustainable Alaska seafood.

- Alaska's tourism industry enjoyed a robust 2013, welcoming 1.96 million visitors, up 107,000 visitors from 2012. Increased cruise ship passengers, up 7 percent from 2012, and new air service, including domestic and international routes, drove the growth<sup>3</sup>. A robust marketing program, combined with reduced taxes, reasonable regulations, and a positive business environment are all part of a comprehensive strategy to grow Alaska's tourism industry.



@MarkKelley

Major economic indicators show positive progress, and a vibrant private sector led the way with continued job growth and opportunities for Alaskans.

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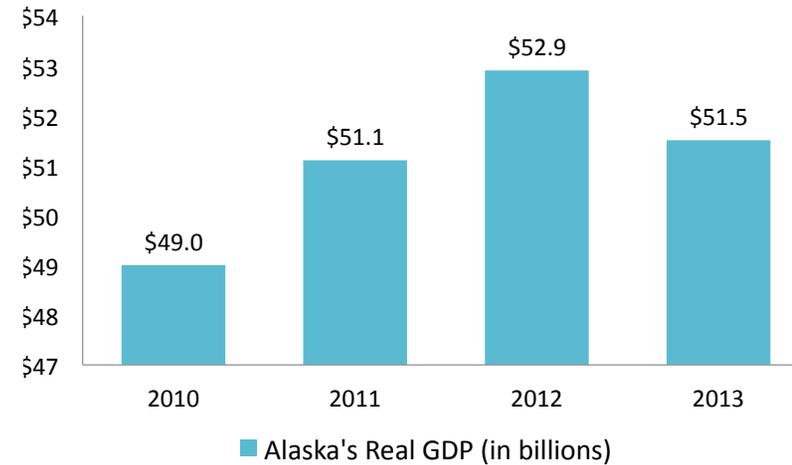
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## GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) is a consistent benchmark of Alaska's economic growth and activity. As reported by the U.S. Bureau of Economic Analysis, GDP measures everything the private and public sectors produce, and is calculated as the sum of what consumers, businesses, and government spend on final goods and services, plus investment and net foreign trade. In 2013 Alaska ranked #1 among the states in per capita GDP at \$70,113. However, in terms of total GDP Alaska ranked 50th among U.S. states for total economic activity during 2013. Alaska has ranked in the bottom ten states by total GDP for more than 15 years.

In 2013, Alaska's current dollar GDP was estimated at \$59.4 billion, a decline of \$200 million from 2012. When adjusted for inflation, Alaska's real GDP accounts for a drop of \$1.3 billion, or 2.5% from 2012. The loss was almost entirely due to a decline in the mining sector—specifically oil and gas as a result of lower oil production.

Alaska's Real GDP



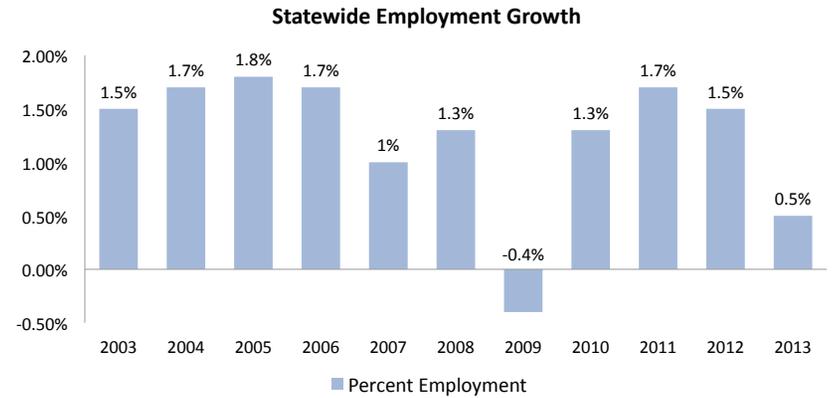
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## POPULATION & STATEWIDE EMPLOYMENT

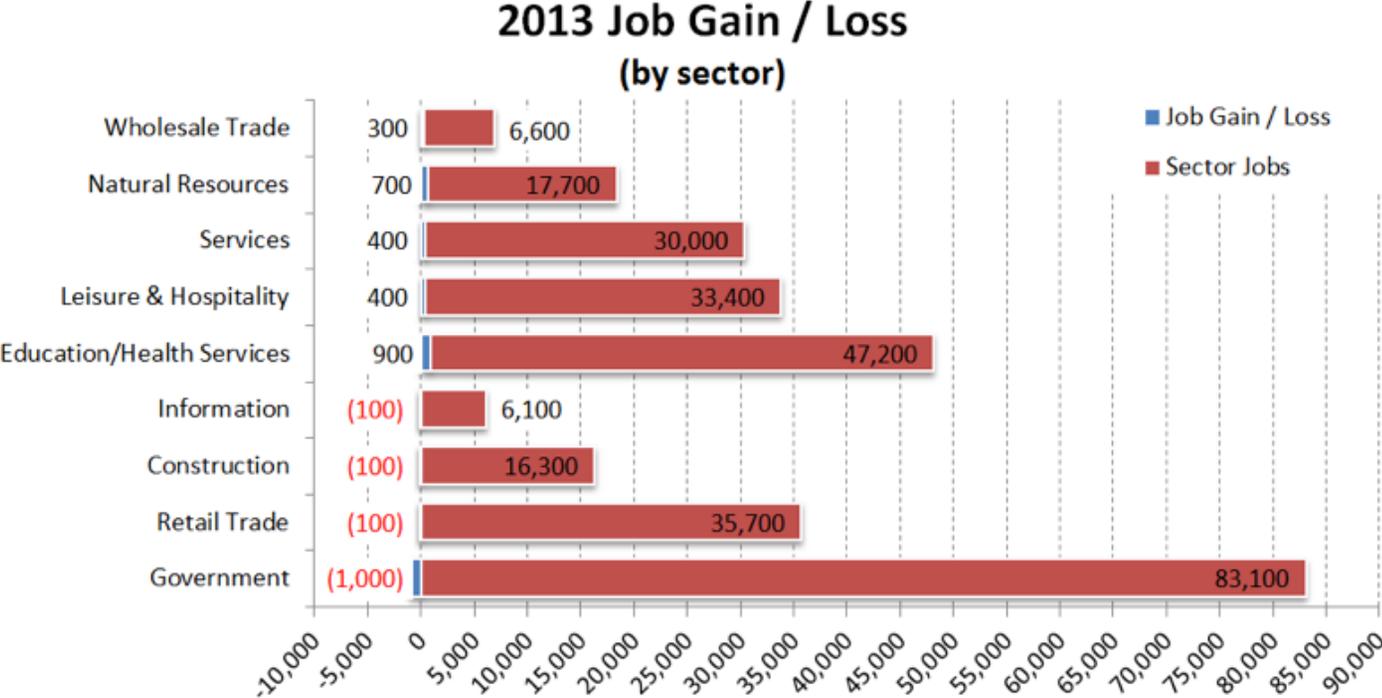
From 2012 to 2013, Alaska's population grew 0.62% to 736,399 with the majority of growth occurring in Southcentral Alaska, including the Anchorage bowl and Matanuska-Susitna Valley (1.22%).

Alaska remains the least densely populated state in the United States with just over one person per square mile (1.2/mi). Alaska ranks as the 47th most populous state, outnumbering only North Dakota, Vermont and Wyoming.



2013 data show job growth of 0.5 percent in Alaska. While private employment grew modestly at 1.1% (2,800 jobs were added), shrinking government (federal, state and local) employment was a major reason for the limited growth in total nonfarm employment. Traditionally, government has provided slow but steady job growth in Alaska. However, several years of cuts, especially by the federal government have reduced public sector jobs throughout the state.

At the close of 2013, Alaska’s seasonally adjusted unemployment rate totaled 6.5 percent, less than the national average of 7.3 percent and 19th out of the 50 states. By comparison, North Dakota ranked first with only 2.9 percent unemployment while Nevada ranked last at 9.8 percent.



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## COST OF LIVING

The U.S. Bureau of Labor Statistics produces the national Consumer Price Index (CPI), which shows the variation in prices paid by typical consumers for retail goods and services. Since Anchorage is the only city in Alaska measured, it has become the state's de facto measure of inflation. The major drawback of using the Anchorage CPI is that some costs are not representative of the rest of the state. In Anchorage, consumer prices rose 3.1 percent in 2013—more than the 1.5 percent national average—but near Anchorage's 10-year average of 2.72 percent.

On a global level, the website [expatistan.com](http://expatistan.com) (a cost of living calculator that compares the cost of living between cities around the world), lists Anchorage in 41st place among 218 cities, considerably lower than the top 3: Zurich, London and Oslo but also lower than Honolulu (#26) or Seattle (#36). Anchorage was tied with Los Angeles and ranked only slightly higher than Calgary (#43) or Miami (#51).



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<http://www.expatistan.com/cost-of-living>

## INTERNATIONAL TRADE

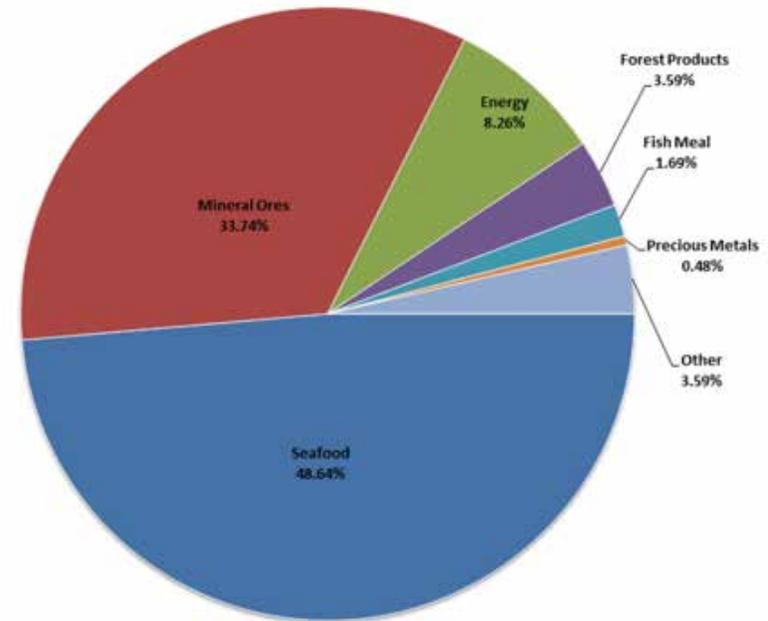
During 2013, Alaska's exports were \$4.6 billion, the third highest year on record and half a percent (0.5%) above 2012 but still a significant decline from the \$5.3 billion recorded in 2011. Export values for Alaska's products are driven by demand for the state's world-class natural resources, especially seafood and mineral ores.

For the state's relatively small population size, significant quantities of high-value natural resources are exported. Seafood and mineral ores accounted for the lion's share of Alaska's exports with \$2.22 billion (48.6%) and \$1.54 billion (33.7%) respectively—\$377.8 million in energy, \$164.9 million in forest products and \$77.2 million in fish meal round out Alaska's top five international exports in 2013.

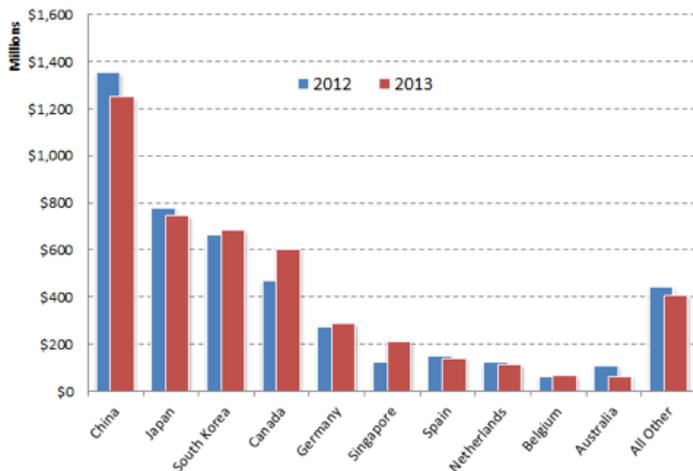
In 2013, China was Alaska's largest trading partner with purchases of \$1.25 billion in Alaska products, including \$718 million in seafood, \$383 million in mineral ores, \$113 million in forest products, and \$36 million in "other" products. Japan was Alaska's second largest trading partner with purchases of \$485.6 million in seafood, \$227.9 million in mineral ores, \$17.5 million in forest products, and \$14 million in "other" products for a total of \$745 million. In third place, South Korea's \$683.3 million included \$327.7 in seafood, \$277.8 million in mineral ores, \$33.7 million in fish meal, \$28.8 million in forest products, and \$15.3 million in "other" products.



**Alaska's Major International Exports**  
(percentage of export value)



**Alaska's Trading Partners**  
(value by country)



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2013

# SECTOR ANALYSIS

During 2013, the State of Alaska received \$7.4 billion in oil revenue, with 92 percent of the state's unrestricted revenue originating from taxes and royalties from the petroleum industry.

In 2013, Alaska's 16 oil and gas "Primary Companies" (production companies, pipelines and refineries) directly employed 4,700 Alaska residents who earned \$780 million in wages. Alaska residents represent 88 percent of employees hired. The industry also spent more than \$5 billion with Alaska vendors which pushed private sector direct, indirect and induced employment to 51 thousand and \$3.45 billion in wages. Combined, Alaska's oil & gas industry is responsible for roughly 1/3 of Alaska's wage and salary jobs and more than \$6.43 billion in wages and salaries.

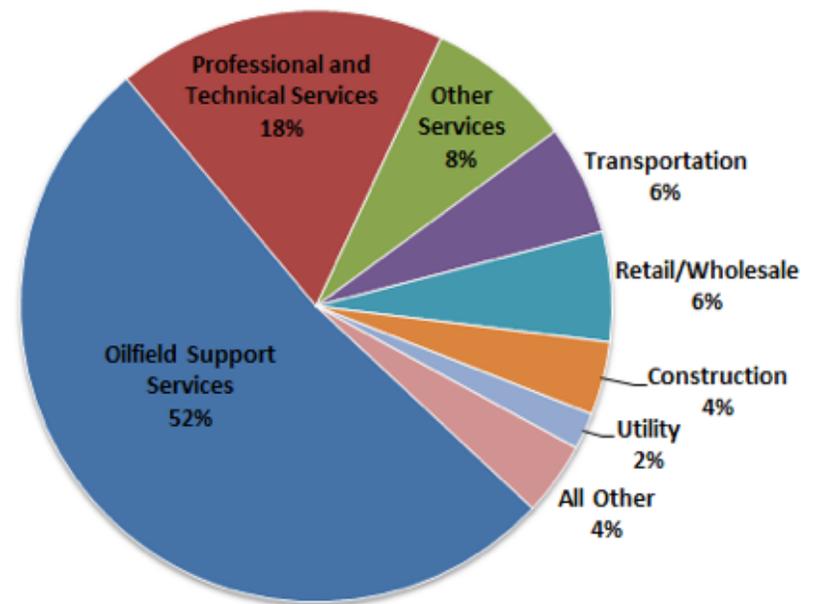
Alaska's role in U.S. crude oil production has diminished from its peak in 1988 when it accounted for 25 percent of all U.S. production. By 2013, Alaska's share of U.S. production dropped to seven percent, putting it in fourth place behind the top oil-producing states of Texas, North Dakota, and California, respectively.



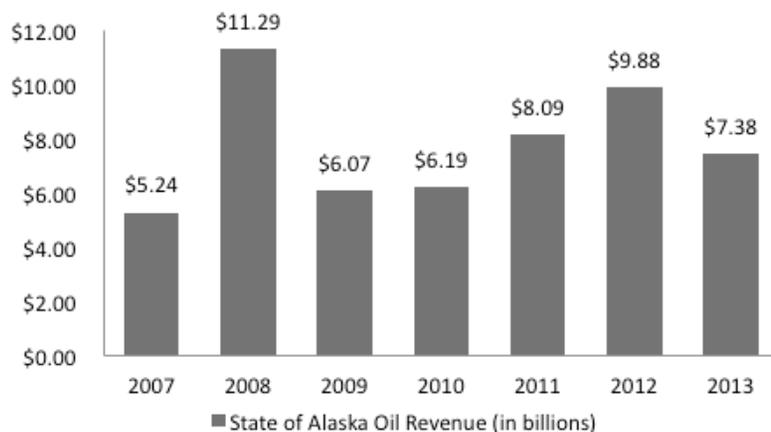
## 7.4 BILLION

2013 OIL & GAS INDUSTRY CONTRIBUTION TO STATE REVENUES

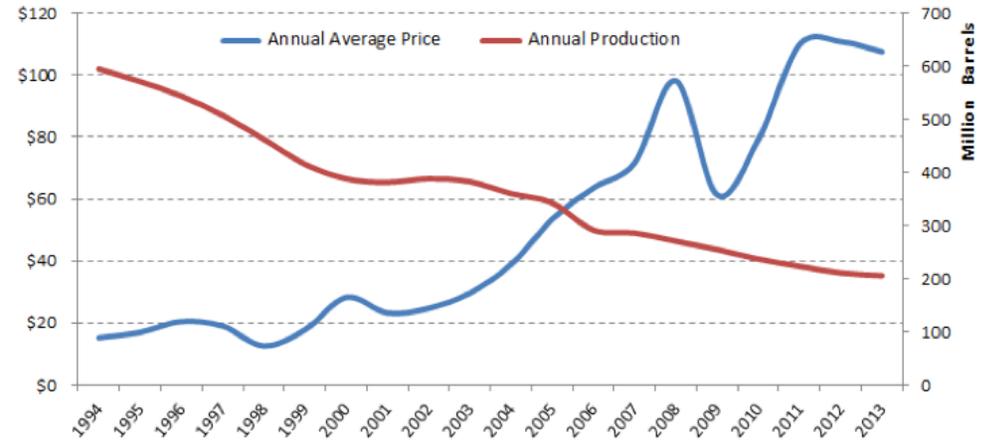
**2013 Primary Company Alaska Vendor Spending**  
(percentage by industry sector)



**Total State of Alaska Oil Revenue**



## Alaska's Oil: Annual Price and Production (1994 to 2013)



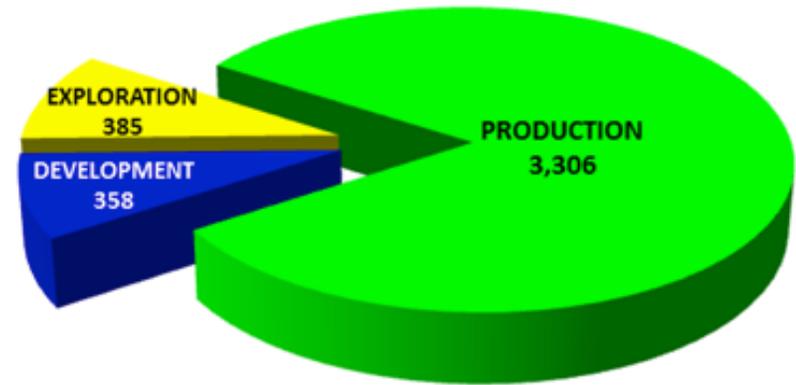
Since 2001, Alaska North Slope (ANS) prices have fluctuated from an annual average of \$22 per barrel in 2002 to a high of \$113 in 2012. In 2013, the price dropped slightly to \$108 per barrel. Over the same period, Alaska oil production (ANS and Cook Inlet production) trended downward from a peak of 2.05 million barrels per day to just over 500,000 barrels per day. By 2013, total production had fallen to about 27 percent of peak levels.



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There are six major producing mines and almost 300 placer mines currently operating in Alaska. During 2013, Alaska's mineral industry increased production despite low global commodity prices. Production totals for gold, silver, and zinc increased by 5 percent, 6 percent, and 3 percent respectively. Gold remains Alaska's biggest driver in terms of production despite slumping metals prices, the lingering effects of which have contributed to a decline in exploration spending—dropping to a total of \$175.5 million in 2013, down 48 percent from 2012 largely due to the drop in gold prices.

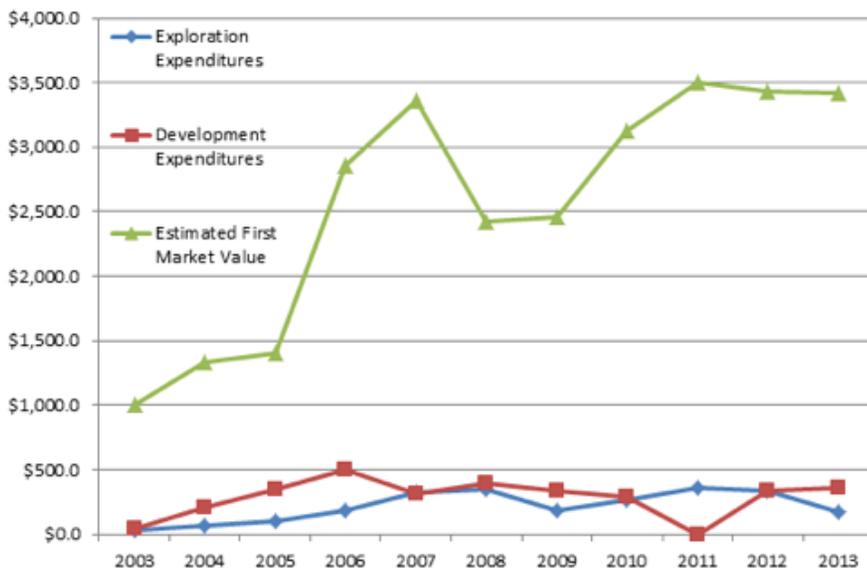


**2013 EMPLOYMENT BY SECTOR**  
Total: 4,049 Jobs

Mining continues to be a strong source of revenue for both local and state governments. In 2013, producing mines paid \$17 million to municipal governments and approximately \$150 million was paid to the State of Alaska in mining royalties, taxes, fees and rents. The mining industry provided an additional \$144 million in royalty sharing payments to Alaska Native corporations.

Mining remains a major economic driver in Alaska's economy and workforce. Metal ore mining jobs more than doubled from 2001 to 2013—totaling 4,049 jobs in 2013. This trend is expected to continue and employment is projected to grow by 24.8 percent from 2012 to 2022—the second largest increase of any sector after healthcare.

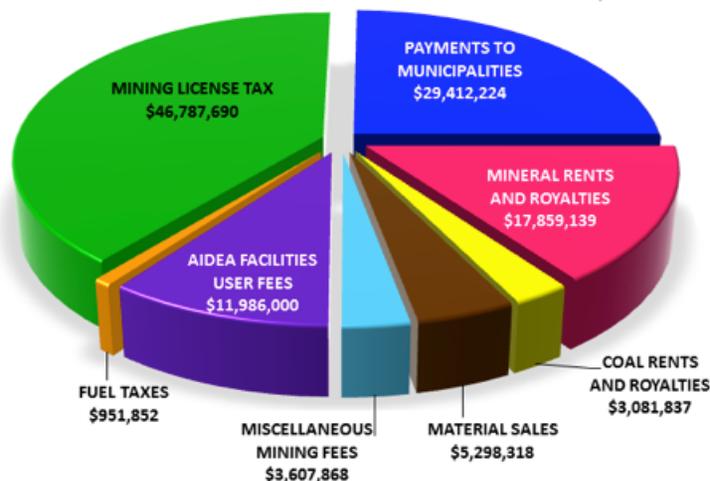
**Minerals Exploration, Development, And Market Value**  
(in millions of dollars)



Alaska's world class mineralogical deposits provide significant opportunity for the mining industry. Led by production at Kinross Gold Corp.'s Fort Knox Mine, Alaska gold production topped 1 million ounces during 2013, a golden milestone not achieved by Last Frontier gold miners since 1906. In 2012, Fort Knox accounted for more than 40 percent of gold produced in Alaska—producing its milestone six millionth ounce of gold. In 2013, Fort Knox saw increased production to 428,822 ounces of gold, up from 2001's previous record of 411,220 ounces.



REVENUE REPORTED FROM ALASKA'S MINERAL INDUSTRY, 2013



## SPOTLIGHT

### DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS (DGGS)

To expand Alaska's mineral resource knowledge base and catalyze private-sector development, the State of Alaska began the multi-year Airborne Geophysical/Geological Mineral Inventory (AGGMI) program. The Alaska Division of Geological and Geophysical Surveys (DGGS) is charged with producing 1:63,360-scale geologic maps. This represents a significant state undertaking as only 15 percent of the state has been mapped at that scale. As of 2013, the AGGMI program has covered 17,985 square miles—or 3.15 percent—of Alaska. This project characterizes bedrock types, project geology between sparse outcrops, and identifies vegetation-covered anomalous geologic signatures that might be associated with lode mineralization.

- DGGS released airborne-geophysical data for three surveys centered around Flat, Alaska, and the Middle Styx and Dalzell Creek surveys in Southwestern Alaska.
- Future projects include the mapping of the 1,322-square-mile Wrangellia survey in the Talkeetna Mountains, adjacent to previous airborne-geophysical Iron Creek, Valdez Creek, and Southern Delta River surveys. The survey area is located in the Valdez Creek and Delta River mining districts. The Wrangellia survey area contains prospects representing several different mineral deposit types, including magmatic-type nickel, copper, and platinum-group elements.
- Work began in summer 2013 on the 954-square-mile Farewell survey, which is centered about 160 miles north-northwest of Anchorage in the McGrath mining district, believed to contain polymetallic veins, epithermal veins, porphyry copper-gold deposits, and platinum-group elements.
- Other areas of interest include studying of the seismicity of the Nenana Basin and potential coal beds in the Susitna Basin.

# SPOTLIGHT

## DONLIN GOLD

The Donlin Gold project in Southwest Alaska is a world-class gold deposit. NovaGold Resources and Barrick Gold have formed the jointly-owned Donlin Gold LLC to manage and direct the project through its feasibility study, the permitting process, and into construction and operation. In 2012 the US Army Corps of Engineers commenced work on a Donlin Gold Environmental Impact Statement (EIS); work continued in 2013 and the draft EIS is expected to be completed for public comment in late 2015. Throughout 2013 Donlin

Gold continued to work with state and federal agencies on additional major permit applications, such as air quality, water discharge and usage, and wetlands. The project is situated on lands owned by the Calista Corporation (subsurface) and The Kuskokwim Corporation (surface). With little to no infrastructure in the region, logistics and power are key concerns. Donlin Gold had up to 90% local hire rate of Calista shareholders at its camp and eventually the project is expected to provide up to 1,400 production jobs over 27-plus years of operation.

@Donlin Gold



Donlin Gold Camp in the Upper Kuskokwim area, courtesy of Donlin Gold.

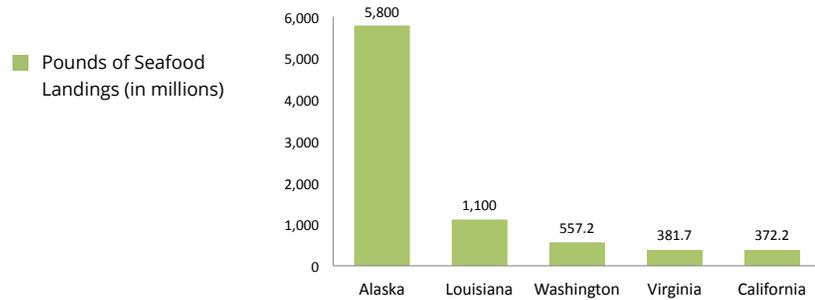
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Alaska produces more wild seafood than all other U.S. states combined. Based on preliminary data from the National Marine Fisheries Service (NMFS), Alaska far exceeded all states in both volume and value of landings, bringing in 5.8 billion pounds valued at \$1.9 billion.

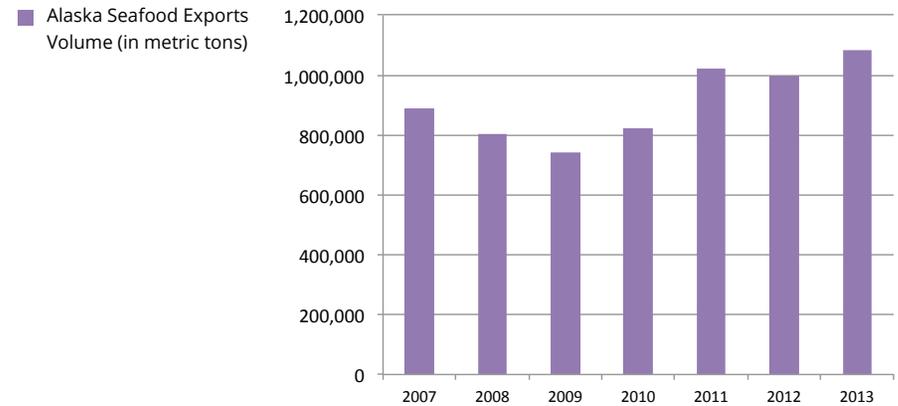
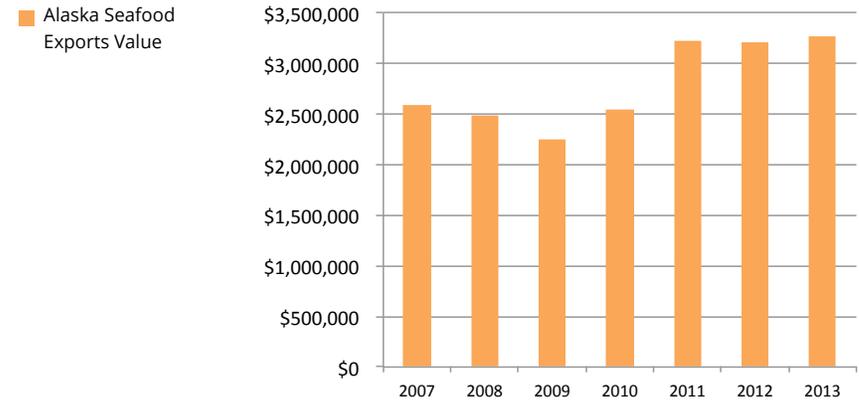
The total volume of Alaska seafood exports increased 8 percent in 2013, however the value of those exports only increased 2 percent to \$3.27 billion. Higher value species; crab and Pacific Cod decreased in volume, in contrast to increases in lower valued species; salmon, Alaska pollock, and flatfish.

China was Alaska's largest foreign seafood buyer in 2013, accounting for 33 percent of seafood exports by value. Japan was second with 22 percent. South Korea, Germany and the Netherlands rounded out Alaska's top five seafood customers.



# \$ 3.27 BILLION

2013 ALASKA SEAFOOD EXPORT VALUE

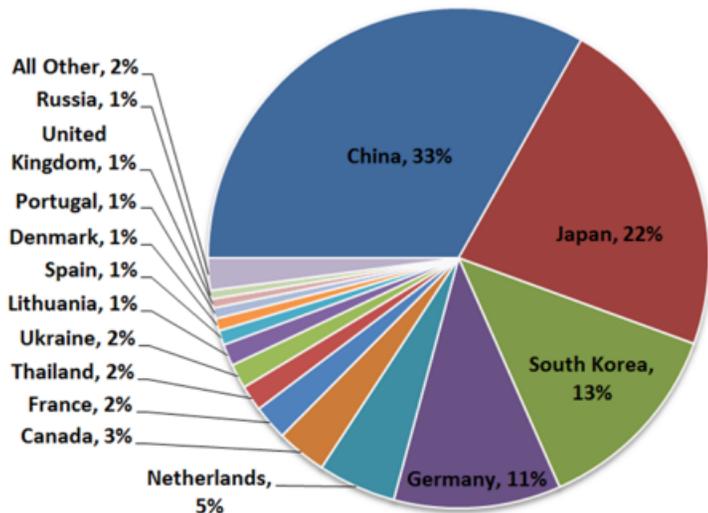


Alaska produces more than half of all U.S. seafood, yet provides less than 2 percent of the global seafood supply. Alaska is a significant producer of Alaska pollock, Pacific cod, wild salmon, snow crab, king crab, halibut, and sablefish. These species account for 91 percent of Alaska's ex-vessel seafood value.

The 2013 Alaska salmon harvest set new records. Fishermen caught 273 million salmon, yielding a round weight harvest volume of more than 1 billion pounds for the first time in the state's history. Alaska's 1 billion pounds of salmon landed were valued at almost \$679.5 million—an increase from 2012 of more than \$238.2 million (54 percent).



**2013 Alaska Seafood Exports**  
(percentage by country)



In 2013 seafood industry taxes and fees paid to federal, state, and local government was \$129 million. This includes \$89 million in state and municipal taxes, \$21 million in federal and state fees used to support fisheries management and enforcement within Alaska, and \$19 million in voluntary industry self-assessments to support functions such as marketing, salmon enhancement programs, and infrastructure development but doesn't include sales, income, or property taxes.

Most of the Alaska seafood industry's workers live in Alaska year-round, but the industry employs residents of nearly every state. Commercial fishing and seafood processing are vitally important for many rural, coastal communities in Alaska. The industry accounts for roughly a third of all private sector employment occurring in rural Alaska.

Many coastal communities in Alaska rely on the seafood industry to remain economically viable. Landing, processing, and shipping fish creates benefits and opportunities for Alaska communities and their residents. Inbound shipping rates are estimated to be 10 percent less expensive because of the revenue provided when shipping containers return to the "Lower 48" states full of seafood rather than empty. For many coastal communities the industry also provides valuable economies of scale for local utilities, commodity sales and transportation access.



# ALASKA SEAFOOD MARKETING INSTITUTE (ASMI)

Alaska Seafood was second among food brands on U.S. menus in 2013. Worldwide markets continue to receive the message that Alaska Seafood signifies a wild, natural, and sustainable product that is unsurpassed in quality. Alaska's seafood marketing organization, the Alaska Seafood Marketing Institute (ASMI) is committed to building the enthusiasm for sustainable, wild caught Alaska Seafood.



*Wild, Natural & Sustainable®*



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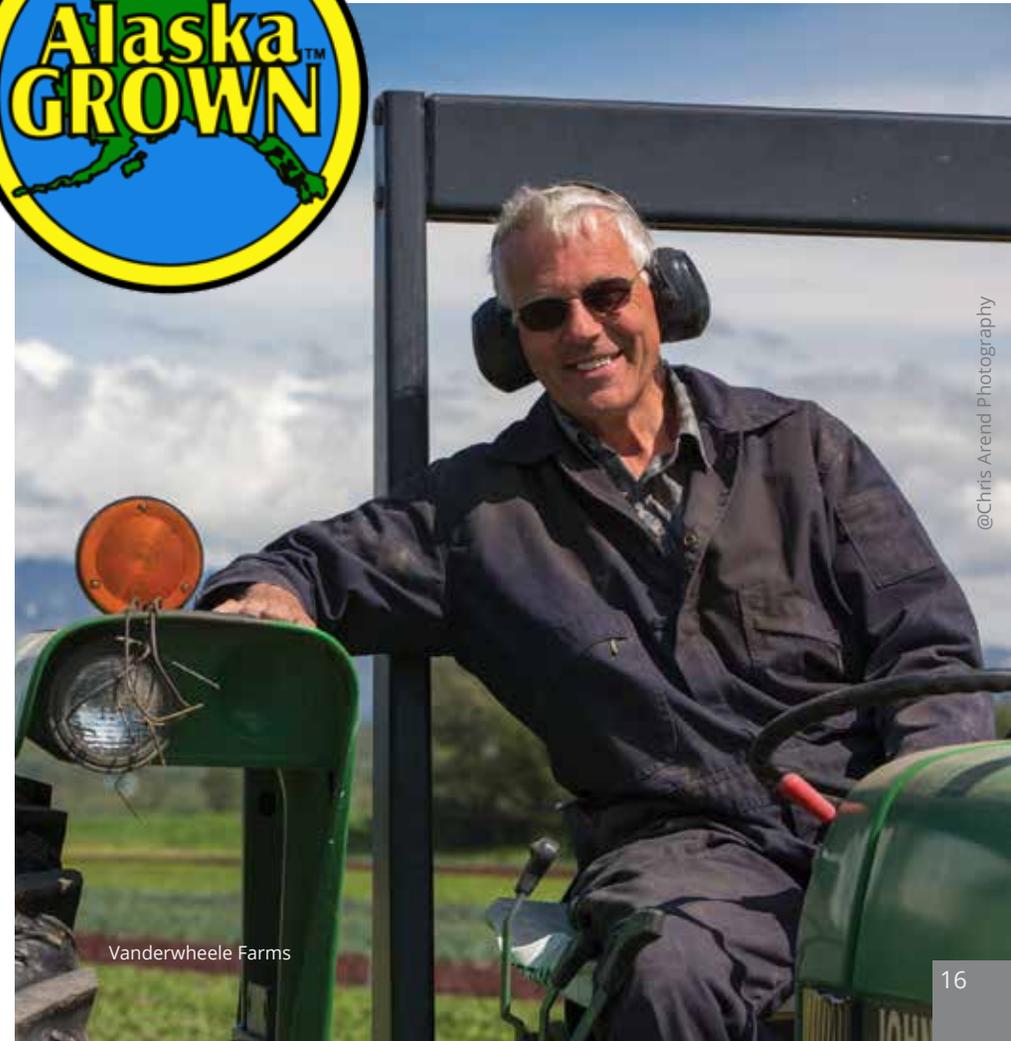
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Alaska's agriculture industry is small compared to the rest of the nation, accounting for less than one percent of the total annual value of U.S. agricultural receipts and only one percent of Alaska's total GDP. Less than one percent (.24%) of Alaska's 365 million acres of land is farmed; it is estimated only 15 million acres (4%) is suitable for farming. Alaska's top agriculture commodities include greenhouse and nursery products, hay, cattle and calves, vegetables, potatoes, and dairy products.

The total value of Alaska's agricultural products has remained generally flat for the last decade, due to high operating costs. Alaska farmers typically sell to individuals and local markets, competing against non-Alaska foods oftentimes produced at a lower cost and sold at lower prices. Restaurants are becoming a larger market for farmers as interest in locally sourced food becomes popular and standards and regulations are more accepted. More than 50% of the farms in Alaska operate on less than three acres and most are located in the Southcentral region of the state. While Alaska's agricultural industry is small, the size of its products includes many record-holding vegetables: 19-pound carrot, 76-pound rutabaga, 127-pound cabbage, 39-pound turnip, 106-pound kale, 65-pound cantaloupe, 97-pound kohlrabi, and 63-pound celery.

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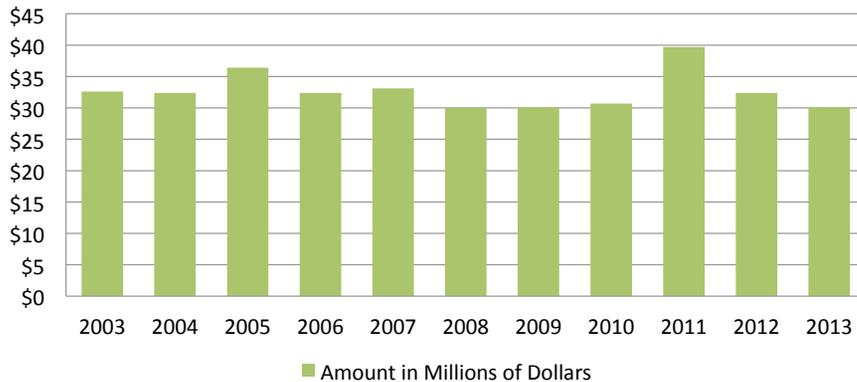
2013 "ALASKA GROWN" PRODUCERS



@Chris Arend Photography

Vanderwheele Farms

**Alaska Cash Receipts from Farm Marketings**



# SPOTLIGHT

## ALASKA GROWN PROGRAM:

In 1986, the State of Alaska's Division of Agriculture launched the statewide Alaska Grown agricultural products certification program. The program was designed to increase consumer awareness and consumption of Alaska agricultural products. As part of Alaska's food and fiber marketing effort, agricultural producers are encouraged to utilize the Alaska Grown logo in conjunction with sales of Alaska farm products.

The Alaska Grown logo is used on quality locally-produced products that meet established top-grade standards. Products without established USDA or state grades are evaluated on the basis of community or industry association standards.

For 26 years, the Alaska Grown Program has increased in size and success. Alaska Grown products cover a wide range of consumables including vegetables, meat, milk, eggs, nursery products, honey, and wool products. At the end of 2012 there were approximately 500 Alaskan farms listed in the program.

### Farm to School Grant Program:

The Farm to School Grant Program was created and signed into law by Governor Sean Parnell in 2010.

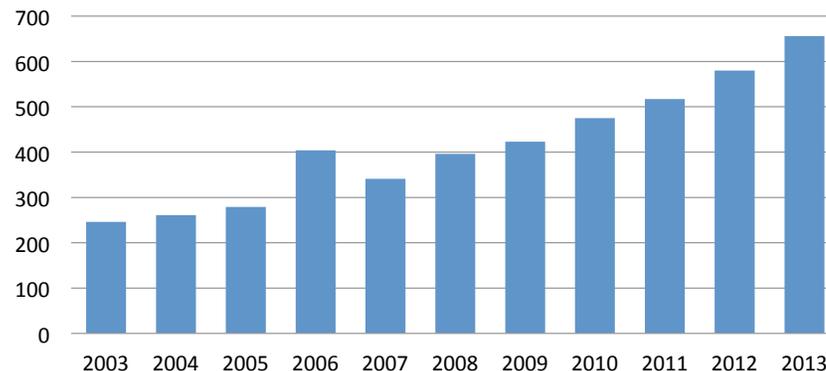
The goal of the program is to have products produced and/or harvested in Alaska available in local schools through three approaches:

1. Working with school food service staff
2. Working with local food producers
3. Educating/engaging youth in any part of the food system

In 2013, the Farm to School Program had 13 active projects, with 29 schools and over 800 students involved.

- Indirect student involvement: 1,920
- Communities reached: 17
- Pounds of product harvested or purchased: 3,243.5

Number of Producers in Alaska Grown Program



Calypso Farm

# CENSUS OF AGRICULTURE

Funded by the U.S. Federal Government, the census of agriculture provides a detailed picture of U.S. farms and ranches every five years. It is the only source of uniform, comprehensive agricultural data for every state and county or county equivalent. The 2012 Census of Agriculture is the 28th Federal census of agriculture and the fourth conducted by the U.S. Department of Agriculture (USDA), National Agricultural Statistics Service (NASS). In 1976, Congress changed the 5-year data collection cycle to years ending in 2 and 7 to coincide with other economic censuses. That 5-year cycle continues to this day.

## 2012 Census of Agriculture items of interest:

- Direct sales to retailers: 15% of Alaska's farms reported \$2.2 million in direct sales to retailers. This is third in the nation behind Hawaii and Vermont. The U.S average was 2.3%.
- Value of products sold directly to individuals for human consumption: In 2007 there were 149 farms (22% of AK farms) with \$1.68 million in sales. In 2012 those numbers rose to 241 farms (32% of AK farms) with \$2.23 million in sales.
- While the average age of farmers continues to rise both in-state and throughout the nation (45.8 years in 1982 to 57.1 years in 2012 for Alaska), 37% of the principal operators in Alaska were beginning farmers (less than 10 years on current operation). This is the highest percentage of beginning farmers in the nation. Nationally, an average of 25% of principal operators are beginning farmers.



Spenard Farmers Market

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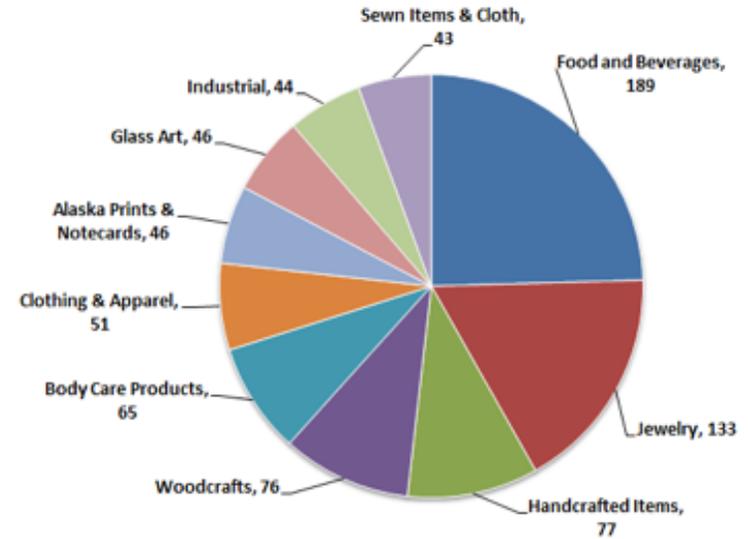
Alaska's manufacturing gross domestic product (GDP) saw a moderate increase to a total of \$1.75 billion in 2013 with \$223 million in durable goods and \$1.5 billion in non-durable goods. These figures represent less than one percent (.1%) of the nation's total manufacturing GDP, estimated at \$2.07 trillion.

Nationally, Alaska is ranked 49th for manufacturing as a percent of GDP, however the state's manufacturing sector continues to show steady and moderate growth. From 2012 to 2013, Alaska's manufacturing sector grew 6.7 percent. Alaska's manufacturing activities continue to be led by food production, which is primarily seafood.

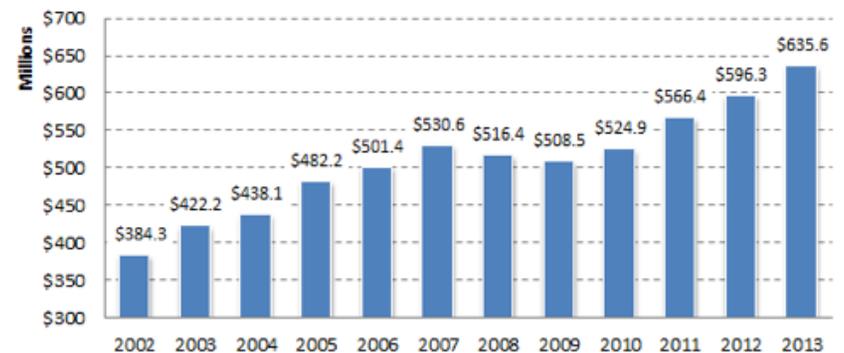
Alaska's manufacturing sector wages and salaries (\$635.6 million) showed an increase over 2012 of more than 6 percent in 2013, after a moderate 1 percent increase from the previous year.

\$ 1.75 BILLION  
2013 ALASKA MANUFACTURING GDP

**Made in Alaska - Top 10 Categories**  
(by number of permits)



**Alaska Manufacturing Wages and Salaries**



Capitol Glass

©B. Hill Photo

The Made in Alaska Program provides marketing support for Alaska's manufactured goods through the mother bear and cub emblem indicating the product is locally manufactured. Only products manufactured 51 percent or more in Alaska qualify for Made in Alaska certification and are eligible to display the emblem. The emblem is used on a wide variety of products ranging from consumables to handicrafts to industrial building supplies. Of the more than 50 categories of manufactured durable and nondurable goods produced in Alaska, 15 percent is attributed to the food and beverage industries.

## VALUE-ADDED MANUFACTURING

The high costs of energy and logistics in Alaska limit growth of the manufacturing industry. However, value-added manufacturing is a cost-effective way for Alaskans to take a product that has already undergone some manufacturing and develop it further, thereby creating a more consumer-ready product. By further processing goods that have already undergone some manufacturing, local companies are more easily able to create products in-state. Value-added manufacturing also helps reduce shipping expenses and eliminate loss and damaged goods (known as shrink or spoilage).



A variety of All Steel products made through value-added manufacturing.

## SPOTLIGHT ALL STEEL INC.

Larger Alaska manufacturers like steel, sheet metal, and insulation companies, find a cost reduction when performing value-added manufacturing in Alaska. All Steel Inc., a successful Fairbanks-based company, engages in the value-added manufacturing of sheet metal products to produce items like steel roofing, trim flashings, and engineered steel trusses. These products have been used in Fort Wainwright and Eielson Air Force Base housing projects, Lathrop High School renovations, and the construction of the Chief Andrew Isaac Medical Center in Fairbanks.

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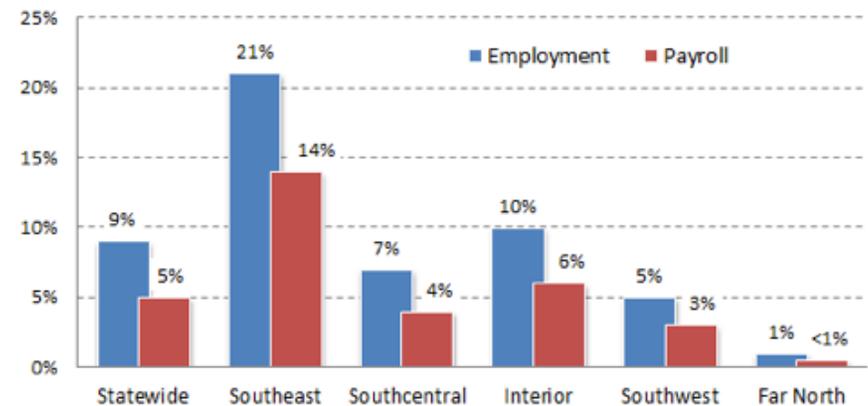
Alaska's tourism industry is a vital component of the state's economy, with an economic impact of \$3.9 billion annually. It generates \$179 million through visitor-related tax revenues for state and local governments, and employs 46,500 people during peak season.

During the 2013 visitor year (October 1, 2012 to September 30, 2013), Alaska welcomed 1.96 million out-of-state visitors who spent \$1.82 billion across the state. Including cruise line spending/payroll and visitor spending on airline and ferry tickets, total visitor industry spending reached \$2.42 billion. Visitor industry spending generates 39,000 year-round full and part-time jobs and \$1.32 billion in labor income.

The tourism industry accounted for 9 percent of statewide employment during 2013 and 5 percent of statewide labor income. The visitor industry plays the greatest role in Southeast, accounting for 21 percent of employment and 14 percent of labor income. In Southcentral Alaska's much larger economy, the visitor industry accounts for 7 percent of employment and 4 percent of labor income.

\$ 1.82 BILLION  
2013 VISITOR SPENDING

**2013 Tourism Employment and Payroll  
(as percentage of regional total)**



Summer visitors represent 87 percent of annual visitation. Between summers 2012 and 2013, visitor volume increased 7 percent from 1,586,600 to 1,693,800. Summer 2013 was significant because the year marked the third consecutive year of increase after recession-related declines during 2009 and 2010. Increased cruise ship calls and new air service, including domestic and international routes, were the primary drivers of a robust tourism season. The highway/ferry market (non-cruise visitors that enter or exit by highway or ferry) showed its first increase (8 percent) since 2010. However, the 2013 total was still 12 percent below the 2006 peak.

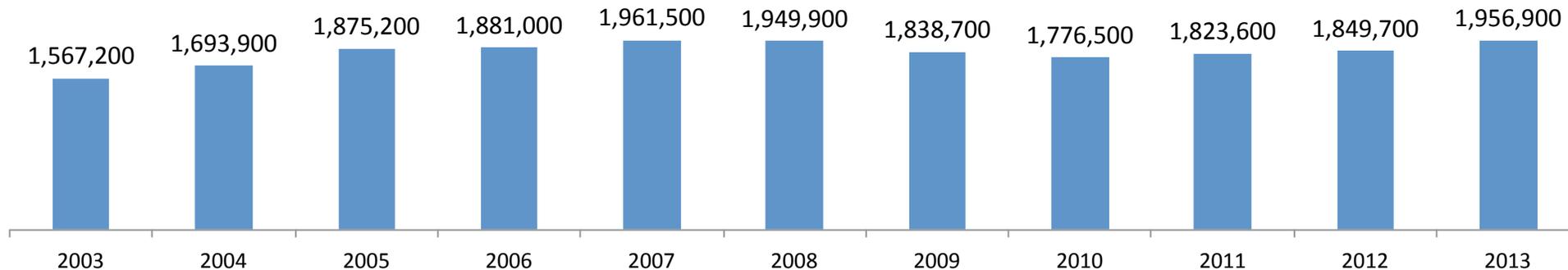
## EMISSIONS CONTROL AREA

Although visitation is on the rise, new environmental regulations could jeopardize continued growth. A federal 200-mile emissions control area (ECA) designated along most of Alaska's coast will require maritime vessels to use ultra-low sulfur diesel by 2015, a requirement that is expected to increase the price of an Alaskan cruise and potentially impact cruise ship deployment.



@ChipPorter

**2003 - 2013: Full-Year Visitation Trends**



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Economic Impact of Alaska's Visitor Industry, 2012-13 Update (McDowell Group, Inc.)

Interim Visitor Volume Report, Summer 2013 (McDowell Group, Inc.)

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During the early 1990s, the forest products industry was Alaska's second largest, employing thousands of Alaskans across multiple industry subsectors including logging, milling, and product manufacturing. Today, Alaska's timber industry has declined to approximately 465 jobs located primarily in Southeast and Interior Alaska. Limited access to timber supply, high energy costs, and management of public forest lands continue to challenge today's timber industry.

Despite multi-decade industry losses, growing awareness and increased demand for woody biomass as an alternative renewable resource is providing opportunity in the forest product industry. From 2012 to 2013, Alaska's timber jobs decreased by 17 percent, meanwhile the export value of forest products increased from \$153 million to \$164.9 million, indicating the potential for growth should Alaska's industry climate support an increase in timber development.

**\$164.9 MILLION**  
2013 EXPORT REVENUES

## 2013 TIMBER INDICATORS

**465**  
JOBS

**\$164.9**  
MILLION  
EXPORT  
VALUE

**24.9**  
MILLION  
BOARD FEET  
STATE OF ALASKA  
TIMBER VOLUME SOLD

**141,279** MILLION BOARD FEET = TOTAL ALASKA HARVEST (FEDERAL, STATE, AND PRIVATE)





Great Alaska Bowl



A Yellow Cedar



Loggers in Alaska tag cut timber.

State of Alaska, Department of Commerce, Community, and Economic Development

## YELLOW CEDAR IN ALASKA

Prized for the color, texture and durability of its wood, yellow cedar is a valuable tree that has been dying on more than a half-million acres in Southeast Alaska and nearby British Columbia for the past 100 years. Although efforts to revitalize the yellow cedar are ongoing, some in the industry are looking to dead yellow cedar in order to satisfy demand. This standing dead timber is of very high quality, is highly desired by builders, and offers a potential alternative to live-tree harvest. The harvest of dead old-growth yellow cedar could also provide an emerging opportunity for small-scale rural timber mills in Southeast Alaska to produce value-added wood products, and could sustain timber jobs and resource dependent communities surrounded by the Tongass National Forest.

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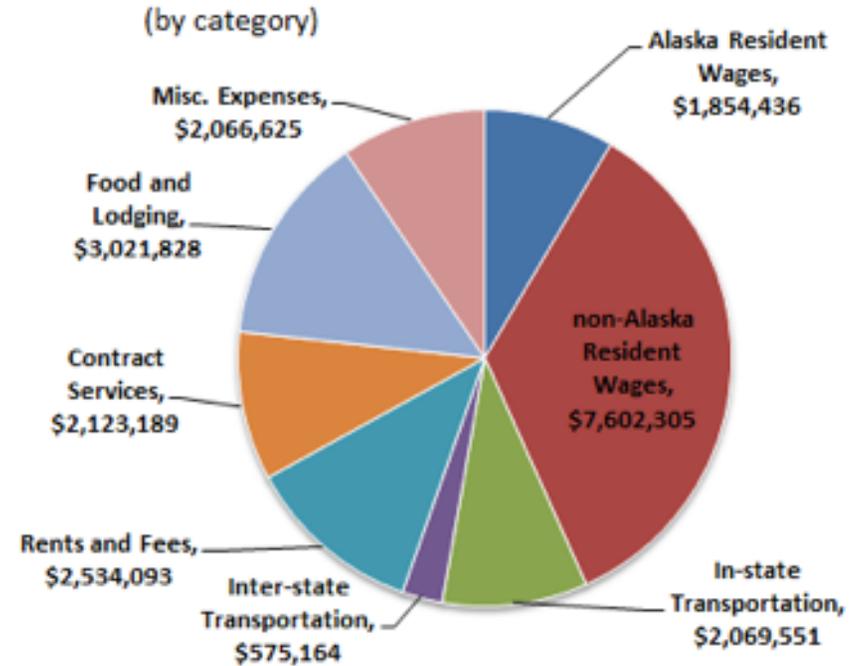
- Alaska Department of Labor and Workforce Development, Research and Analysis Section
- Alaska Department of Natural Resources, Division of Forestry
- Alaska Department of Commerce, Community, and Economic Development, Division of Economic Development
- Office of International Trade, State of Alaska
- <http://www.fs.fed.us/pnw/research/climate-change/yellow-cedar/>
- [http://www.fs.usda.gov/Internet/FSE\\_DOCUMENTS/fsbdev2\\_037960.pdf](http://www.fs.usda.gov/Internet/FSE_DOCUMENTS/fsbdev2_037960.pdf)

Production spending impacts multiple segments of Alaska's economy, with the indirect or multiplier effects of production spending reverberating statewide throughout transportation, hospitality, construction, and other economic sectors. Often, small communities that serve as the location or base-camp for non-fiction television experience a significant economic boost when productions come to town. Even a small production team can stimulate the local economy as the community accommodates production cast and crew.

The state's Production Tax Credit program encourages industry spending and investment in Alaska. In 2013, the 28 productions that participated in the program reported spending approximately \$14.2 million on their Alaska "ground spend" which included \$1.8 million in Alaska-resident wages (providing 441 local jobs), \$2 million in Alaska transportation, \$2.5 million in rentals and fees, \$2.1 million in services, \$3 million in food & lodging and \$2.8 million in miscellaneous in-state spending. Those productions received over \$6.9 million in tax credits from Alaska's production incentive program.

**\$ 14.2 MILLION**  
2013 ALASKA GROUND SPEND

## 2013 Production Expenses



## REFERENCES

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@Josh Martinez Photography



@ChrisMiller



@GregMartin

2013

# SPECIAL TOPICS

In 1971, the United States Congress passed the Alaska Native Claims Settlement Act (ANCSA), creating 12 for-profit Alaska Native Corporations (ANCs). ANCSA provided Alaska Natives 44 million acres of land and \$962.5 million, which was divided among 12 regional corporations and over 200 village corporations. These assets have been invested, used to develop new businesses, and leveraged to acquire existing businesses for the benefit of their shareholders. ANCs remain strong economic drivers for Alaska with 2013 gross revenue totaling more than \$8.6 billion. Native Corporations continue to diversify investments, holdings, and operations across the globe.

ANC operations include government services, construction, real estate, mining, tourism, entertainment, technology, and energy. In 2013, ANCSA regional corporations had over 18,000 Alaska employees and almost 46,000 employees worldwide. The continued stability and financial growth of these corporations is beneficial to Alaska's local, regional, and statewide economies.

Nearly all regional ANCs continued strong financial performance with growth from 2012 to 2013. Only three corporations posted losses: Koniag Inc., NANA Regional Corp, and Sealaska Corporation. Losses posted by these three corporations largely occurred due to the devaluation of portfolios and extensive capital outlays, not declines in business operations. During 2013, three corporations exceeded \$1 billion in total revenue: the Arctic Slope Regional Corporation, Bristol Bay Native Corporation, and NANA Regional Corporation.



@Chris Arend Photography

## ALASKA NATIVE CLAIMS SETTLEMENT ACT: REGIONAL CORPORATION PERFORMANCE

ANCSA CORPORATION	SHAREHOLDERS	TOTAL REVENUE		NET INCOME (LOSS)*		DIVIDEND PAID	
		[millions]	[millions]	[millions]	[per share]		
		2012	2013	2012	2013	2012	2013
Ahtna Incorporated	1,800	\$189.15	\$200.10	\$4.70	\$4.80	\$3.53	\$5.27
Aleut Corporation	3,775	\$98.10	\$116.26	(\$8.50)	\$5.42	\$5.00	\$6.00
Arctic Slope Regional Corporation	11,000	\$2,628.90	\$2,525.60	\$107.20	\$97.60	\$50.38	\$110.00
Bering Straits Native Corporation	7,200	\$213.42	\$242.58	\$9.59	\$6.36	\$2.35	\$2.50
Bristol Bay Native Corporation	9,300	\$1,965.51	\$1,961.78	\$70.23	\$41.31	\$22.00	\$25.00
Calista Corporation	12,600	\$402.60	\$368.91	\$21.74	\$52.76	\$3.25	\$3.50
Chugach Alaska Corporation	2,500	\$709.06	\$608.95	\$20.25	\$13.05	\$40.00	\$40.00
Cook Inlet Region Incorporated	8,300	\$237.85	\$214.93	\$18.03	\$23.64	\$35.37	\$34.99
Doyon Limited	18,000	\$338.28	\$318.55	\$17.38	\$19.12	\$4.15	\$4.23
Koniag Incorporated	3,700	\$126.86	\$202.14	\$6.14	(\$5.88)	\$10.65	\$3.00
NANA Regional Corporation	13,500	\$1,762.78	\$1,702.60	\$5.32	(\$78.30)	\$7.72	\$7.72
Sealaska Corporation	22,000	\$210.94	\$164.95	\$11.32	(\$35.09)	\$2.21	\$2.25
<b>12 CORPORATION TOTALS</b>	<b>113,675</b>	<b>\$8,883.45</b>	<b>\$8,627.35</b>	<b>\$283.40</b>	<b>\$144.79</b>		

\* Income or loss attributable to corporation

ANCSA tasked corporations with providing financial and social benefits for shareholders including dividends, employment opportunities, and preservation of culture. During 2013, shareholders received dividends ranging from \$2.25 per share (Sealaska Corporation) to \$110 per share (Arctic Slope Regional Corporation) and almost \$205 million was distributed overall.

The economic impact of ANCSA goes beyond the 12 regional corporations. It is estimated 169 village corporations are currently active for the benefit of local shareholders. Several village corporations have achieved economic success and rival some of the largest regional ANCs. Notably, village corporations also play an important role in the rural economy, often as the owner/operators of the local fuel service, the grocery store, and other important local businesses.

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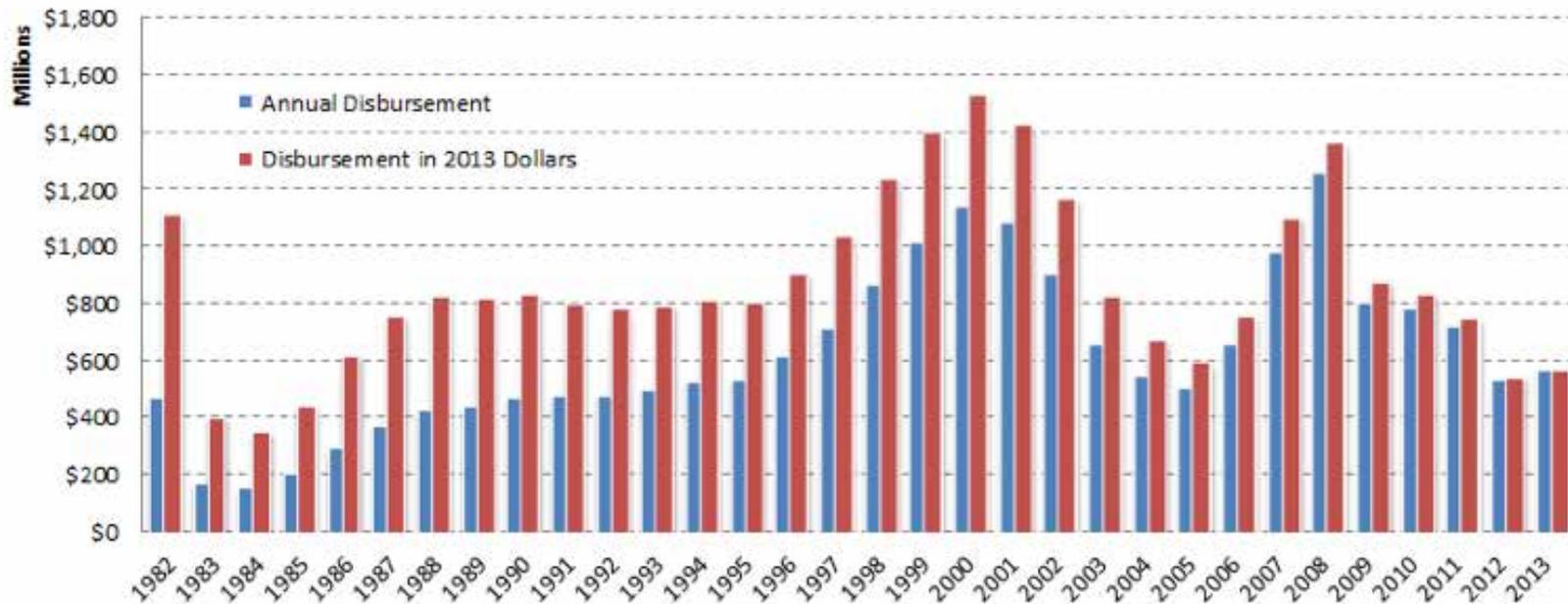
NANA Regional Corporation, Incorporated. "2013 Annual Report" Kotzebue, AK

Sealaska Corporation. "2013 Annual Report" Juneau, AK

Created by a voter-approved amendment to the Alaska State Constitution in 1976, the Alaska Permanent Fund was designed to turn Alaska's nonrenewable natural resources into a permanent financial resource that will provide a return to current and future generations of Alaskans. The Alaska Permanent Fund Corporation (APFC) manages the Permanent Fund, which is comprised of two major components: the principal and realized income. The principal of the Permanent Fund is invested and cannot be spent without a majority vote of the people to amend the state constitution. Decisions regarding realized income are made each year by The Alaska State Legislature and Alaska's Governor.

In fiscal year 2013, the APFC reported that the year-end value of the fund was \$44.9 billion, up \$4.6 billion from the previous year-end. The total investment return was 10.93 percent and the net income (excess of revenues over expenditures) was \$4.3 billion. The fund's change in value was based on stock dividends, bond interest and real estate cash flow, increase in value of investments, dedicated mineral revenue, and legislative appropriations, as well as \$634 million in transfers out in the form of dividend distribution and capital income accounts.

The Alaska Permanent Fund Dividend Disbursements:



Permanent Fund Dividend (PFD) legislation, initially passed in 1980, established a payment to Alaska residents from the realized income generated by the fund. The annual amount of that distribution has ranged from a low of \$331 in 1984 to a high of \$2,069 in 2008. In 2013 the amount was \$900 for each of the 631,470 qualified applicants: a total distribution of \$568,048,767.

Since the program's first check was issued in 1982, \$19.95 billion has been injected into Alaska's economy—that's more than \$27.79 billion in inflation adjusted (2013) dollars. Alaska's annual Permanent Fund Dividend (PFD) distribution has an outsized impact on Alaska's economy—the annual disbursement is the largest single infusion of money into the state. Even using a conservative 1.5x multiplier to estimate economic impact, the PFD is an important factor in Alaska's economic well-being. For many Alaska families and communities, particularly in rural areas of the state, the dividend is a major source of cash with which to purchase basic goods and services.



Minerals Exploration and Development - Red Dog

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Alaska Dept. of Revenue – Permanent Fund Division 2013 Annual Report. Retrieved from <http://pfd.alaska.gov/Content/AnnualReports/PFDAnnualReportDY2013.pdf>.  
Alaska Permanent Fund Corporation 2013 Annual Report. Retrieved from [http://www.apfc.org/\\_amiReportsArchive/FY2013AnnualReport.pdf](http://www.apfc.org/_amiReportsArchive/FY2013AnnualReport.pdf)

Maritime industries in Alaska are an important component of the larger maritime economic sector. The maritime industries provide critical maintenance, repair, and construction services to vessels operating along the coast of Alaska.

The Alaska vessel fleet contains approximately 9,400 vessels that serve key industries for regional economies across the State, including oil and gas, seafood, tourism, transportation and shipping. Eighty-one percent (7,660) of these vessels are home ported in Alaska alongside several thousand smaller crafts (under 28').

Alaska's maritime industrial support sector includes a diverse collection of businesses and organizations. In Alaska, more than 800 firms scattered across 42 different business classifications offer services and supplies to vessel owners and operators. These firms and organizations are spread throughout coastal Alaska with the largest concentration in Southeast, Cook Inlet, and Kodiak.

# 7,660 VESSELS

HOME PORTED IN ALASKA



## VIGOR ALASKA

Offering large vessel service and construction capacity, Vigor Alaska's Seward and Ketchikan Shipyards are welcome additions to Alaska's maritime support services industry. The Ketchikan shipyard includes a new 70,000 square foot assembly hall along with an adjacent indoor fabrication shop. The yard is one of the most modern in the United States and provides a year-round location for new builds, repair, and refit to support nearly any vessel working Alaska's waters. The 11-acre Seward shipyard is strategically located to provide services to Alaska customers in the fishing, marine transportation, and oil and gas industries.

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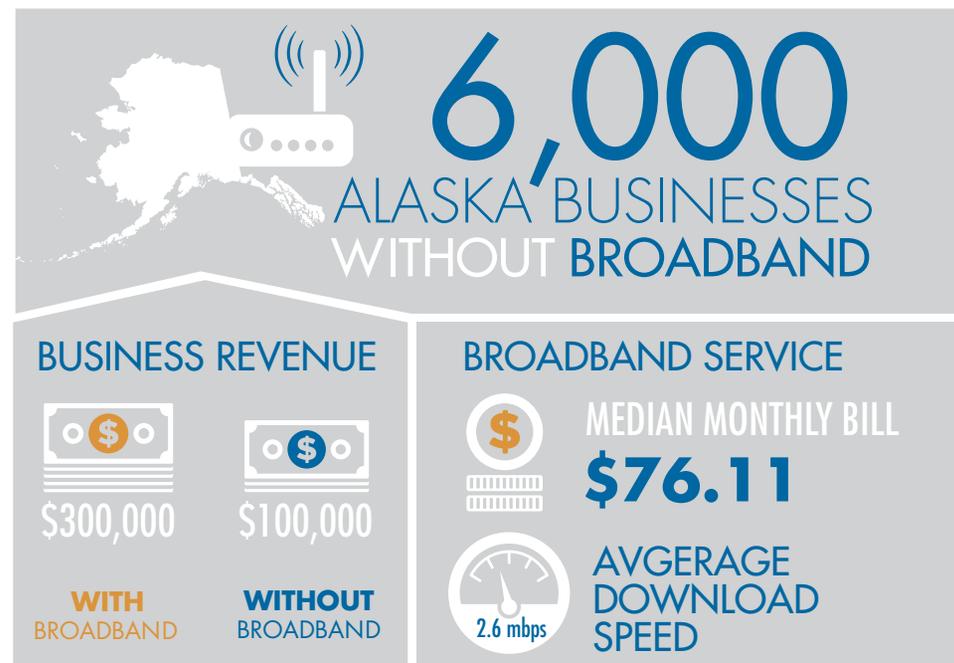
Trends and Opportunities in the Alaska Maritime Industrial Support Sector - McDowell Group (Sept. 2014).

Alaska's communication network still lags behind most of the developed world, placing it among the lowest-ranked states in terms of access, speed, and cost. Remote Alaskans could reap some of the largest benefits of broadband access by improving tele-health and distance education networks, enhancing public safety and emergency response systems, as well as generating economic activity through Internet access. Several obstacles stand in the way of these advancements, however. The size of the state and its challenging terrain make building, maintaining, and providing communication services at an affordable price for the end user difficult.

Alaska's telecommunications industry has a small share of Alaska's overall employment but plays a significant role in many people's daily lives. Telecommunications employed about 4,100 persons per month on average in 2013, and employment has remained largely steady in the industry since 2000. Meanwhile, the utilization of broadband by businesses is becoming more necessary in today's economy. Research conducted by Connect Alaska, the state's designated entity for the U.S. Department of Commerce's State Broadband Initiative, found Alaskan businesses that can access and use broadband service report annual revenues \$200,000 greater than Alaskan businesses that cannot or do not adopt broadband. An estimated 6,000 businesses in the state are without broadband.

## 4,100 JOBS

2013 MONTHLY AVERAGE



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In 2012, Alaska ranked fourth in the nation for breweries per capita, and fifth for small or “craft” breweries per capita. Though the state’s 22 brewing establishments are most concentrated in Anchorage, they’re spread throughout the state in 16 communities from Kodiak and Juneau to Fairbanks and Denali Park. Sales of locally produced craft beer increased more than fourfold during the past 10 years. In 2003, 6 percent of alcohol consumed in Alaska was craft beer but by 2013, its share had grown to 20 percent. These numbers mirror national trends, which show steadily rising demand for craft beer with sales increasing to 14 percent of the \$100 billion beer market in 2013.

Alaska’s brewers fall into two categories—breweries and brewpubs:

- Breweries sell kegs, bottles, growlers, and cans to shoppers and businesses such as restaurants, bars, and stores. They emphasize manufacturing over retail, but often have a small retail component to display products and allow consumers to buy fresh beer in growlers.
- Brewpubs emphasize retail and are more like restaurants that brew their own beer, serving customers on site. They too often sell their beer to other restaurants and stores, but unlike breweries, there’s a legal limit on how much beer they can produce and sell off site.

Brewery jobs grew from 61 in 2002 to 290 by 2013. In 2012, total brewery payroll was \$7.6 million, paying an average wage of \$33,829 per year. For brewpubs, total employment in 2013 was a little over 900, and total payroll in 2012 was nearly \$19 million. More new breweries and brewpubs are in development, so the growth trend is likely to continue.

# 26.6 MILLION

BREWERY/BREW PUB PAYROLL

If Alaska continues to follow national beverage trends, sales of craft spirits may soon experience similar growth to that of craft beer. The number of small distilleries in the U.S. increased from 70 in 2003 to more than 600 in 2013, with demand for craft spirits jumping from 205.6 million 9-liter cases in 2012 to 210 million in 2013. Currently, Alaska is home to five distilleries, three of which were established during 2012. The craft spirits industry is in the early development stage in Alaska, and it shows great potential for success.



Alaskan Brewing Company

©Seanna O. Sullivan

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 Alaska Department of Labor and Workforce Development, *Alaska Economic Trends*, April 2014  
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The field of Unmanned Aircraft Systems (UAS) is quickly becoming a leader in the areas of research and innovation across a wide range of industries throughout the world. Once only used in military operations, UAS are now being utilized by both the private sector and the general public for recreational, commercial, scientific, public safety, and research applications. In December 2013, the University of Alaska's Pan-Pacific UAS Test Range Complex (PPUTRC) was announced as one of six Federal Aviation Administration (FAA) test sites in the U.S.

With more than 663,300 square miles of airspace, varied terrain, established aerospace infrastructure, a thriving support-services industry and the newly designated PPUTRC, Alaska provides an optimal environment for unmanned aircraft system testing and development. With public and private support, investments have been made in industry expansion by funding the Alaska Center for Unmanned Aircraft Systems Integration (ACUASI) and establishing the Alaska UAS Legislative Task Force to guide policy decisions. In addition, Alaska's robust aviation and military sectors provide a highly skilled workforce to support the businesses that will advance the industry.

As a research center at the University of Alaska Fairbanks, ACUASI facilitates the integration of unique payloads and supports pathfinder missions within government and science communities, with a special emphasis on the Arctic region. The center has flown a variety of on-site and remote-sensing instruments on several types and sizes of UAS at multiple locations in Alaska (and around the globe) for applications, including resource mapping, monitoring marine mammals, fighting forest fires, mapping glaciers and sea ice, and many more.

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Alaska Center for Unmanned Aircraft Systems Integration website  
(<http://acuasi.alaska.edu/>)

Alaska Division of Economic Development – Unmanned Aircraft Systems in Alaska (May 2014)

# 663,000 SQ. MILES

TESTING AIRSPACE



Unmanned Aircraft Systems at the University of Alaska, Fairbanks.

State of Alaska, Department of Commerce,  
Community, and Economic Development

## THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA)

As the State of Alaska's finance authority for development projects, the Alaska Industrial Development and Export Authority (AIDEA) can provide financing in military-facility zones. AIDEA works in partnership with the private sector, allowing Alaska to be a competitive financing partner and retain Alaska investment, which is recovered through a modest rate of return and negotiated user fees. AIDEA has \$1.3 billion in assets under management with a Standard and Poor's credit rating of AA+.

Nearly 300,000 out-of-state Alaska visitors participated in Native cultural tours or activities during their 2013 Alaska vacation. At 22 percent, cruise ship passengers had the highest participation rates in Native cultural tours or activities. The participation rate for all other visitors was 10 percent, bringing the estimated participation rate for all visitors to 17 percent.

During 2013, events around the state provided visitors and Alaska residents plenty of opportunities for cultural enrichment. The World Eskimo-Indian Olympics held its 52nd annual games in Fairbanks (July, 2013). Vendors, athletes and spectators celebrated the art of competition and the recognition of cultural traditions from all over the world.

In Wrangell, the Chief Shakes Tribal House, a historic monument located on Shakes Island in the center of the downtown harbor, was rededicated and reopened to the public after two years of being closed for restoration. As part of the Civilian Conservation Corps projects, the Chief Shakes Tribal House was constructed as a replica of the original 19th century tribal house. The lodge was first dedicated in the 1940s.

## Native Culture Tour & Activity Participants

(by transportation market)

Summer 2013

	Estimated Visitors	Native Culture Market Share	Native Culture Market Share %
Cruise Market	999,600	219,912	22%
Air Market	619,400	61,940	10%
Highway/Ferry Market	74,800	7,480	10%
<b>All visitors</b>	<b>1,693,800</b>	<b>289,332</b>	<b>17%</b>

Source: Alaska Visitor Statistics Program VI

# 17% OF VISITORS

PARTICIPATE IN NATIVE CULTURAL TOURS

The Anchorage Museum hosted the first comprehensive exhibit on the Dena'ina Athabascan people. The exhibit, "Dena'inaq' Huch'ulyeshi: The Dena'ina Way of Living" featured the culture and lifestyle of this indigenous group through stories, hands-on learning stations, films and more than 160 artifacts loaned from museums across Europe and North America.

## Native Culture Tour & Activity - 2013

(by Communities with Highest Participation Rates)

Region / Community	% of All Visitors	Cultural Tourism Venues
Far North	22%	Day tours from Fairbanks and Anchorage to explore the Arctic Circle and Native culture
Ketchikan	18%	Saxman Totem Park Totem Bight State Park Totem Heritage Center
Fairbanks	18%	Museum of the North Morris Thompson Cultural and Visitor Center
Sitka	16%	Sitka Cultural Center
Anchorage	13%	Alaska Native Heritage Center
Hoonah / Icy Strait Point	9%	Heritage Center Theatre

Source: Alaska Visitor Statistics Program VI

# HUNA TLINGIT TRIBAL HOUSE REPLICA

In partnership with the National Park Service, the Huna Tlingit continue to showcase the cultural history of the Glacier Bay region and connect visitors to this history. In 2010, work began on a traditional tribal house replica that will stand on the shore of Glacier Bay National Park's Bartlett Cove and serve as a cultural anchor for modern Huna Tlingit as well as a learning center for park visitors. The tribal house project is just one example of how Alaska Natives' celebration and preservation of their own cultures fits comfortably—and sometimes profitably—with Alaska visitors' interest in cultural tourism.

According to the Alaska Visitor Statistics Program, the communities with the highest participation rates in Native culture and tour activities are those that are home to well-established Native culture attractions. Those estimates are likely conservative, especially for Huna Totem's Icy Strait Point, where culture is connected with everything from a traditional Tlingit greeting of guests to restaurant menu items and interactions between visitors and staff, 80 percent of whom are local residents and Huna Totem shareholders.



National Park Service

Sam Harrel / Daily News-Miner

The center board is added to the front of the tribal house replica.

World Eskimo-Indian Olympics.

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# ALASKA ECONOMIC PERFORMANCE REPORT