

May 2019

Sitka Economic Profile, 2019

**Prepared for Sitka Economic
Development Association**



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PREPARED FOR:

Sitka Economic Development Association

May 2019

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This report provides data and analysis supporting a presentation on Sitka's economy by McDowell Group at a Sitka Economic Development Association sponsored-event held on April 24, 2019. The information is presented in three segments:

- Demographics
- Economics
- Industry trends

This document provides a high-level overview of the latest data available on some of Sitka's key economic indicators; it is not intended to provide a comprehensive analysis of local demographic and economic conditions. A more detailed analysis would include, in particular, original research into Sitka's key basic industries, notably tourism, health care, and the seafood industry.

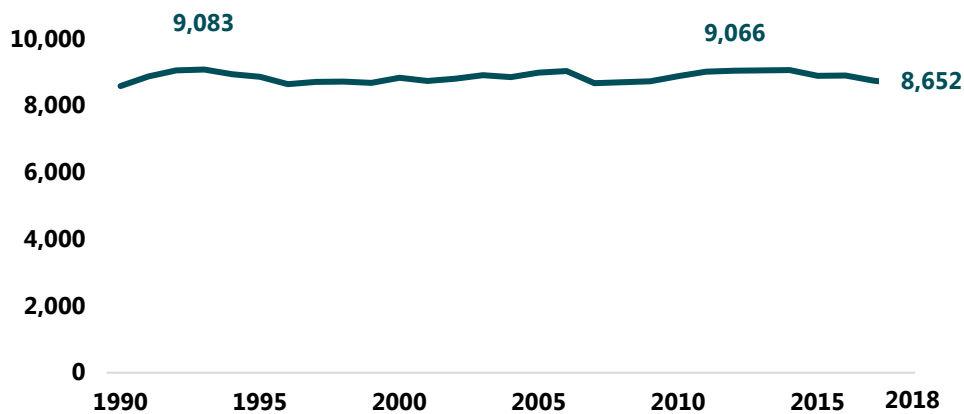
For some key indicators, data for other communities or Alaska overall are provided to give context for conditions in Sitka.

Key sources of data include Alaska Department of Labor and Workforce Development (ADOLWD), Alaska Department of Fish and Game (ADF&G), the federal Bureau of Economic Analysis (BEA), and a variety of McDowell Group research publications. Where important to do so, monetary values have been presented in both nominal and real (inflation) dollars using the Bureau of Labor Statistics (BLS) Urban Alaska Consumer Price Index (CPI)-All Items.

Population

- Sitka’s population totaled 8,652 residents in 2018, down 1% from 2017. Sitka’s population has declined 5% since 2014, losing 414 residents.
- Over the long term, Sitka’s population has been fairly steady at around 9,000 residents. Since 1990, peak population was 9,083, in 1993. Following some decline after closure of the Alaska Pulp Company mill, Sitka’s population has been remarkably steady at around 9,000 residents, until this recent downturn.
- Declining school enrollment in Sitka reflects out-migration and other demographic shifts. School enrollment in 2018-19 (1,261 students) was at its lowest point since peaking in 2013-14 (1,421 students). Enrollment is down 12% over the 2013-14 to 2018-19 period.

Figure 1. Sitka Population, 1990-2018



Source: ADOLWD.

Table 1. Population Trends in Sitka and Other Areas, 2009-2018

Year	Sitka	Juneau	Ketchikan	Alaska
2009	8,627	31,275	13,477	697,828
2010	8,881	31,275	13,477	710,231
2011	9,018	32,331	13,722	722,159
2012	9,052	32,657	13,891	730,603
2013	9,054	32,941	13,836	736,071
2014	9,066	33,000	13,889	736,423
2015	8,899	33,128	13,820	737,022
2016	8,905	32,705	13,753	739,676
2017	8,748	32,302	13,782	737,847
2018	8,652	32,247	13,843	736,239

Source: ADOLWD

Table 2. Population Rates of Change in Sitka and Other Areas, 2009-2018

Year	Sitka	Juneau	Ketchikan	Alaska
2009				
2010	2.9%	0.0%	0.0%	1.8%
2011	1.5%	3.4%	1.8%	1.7%
2012	0.4%	1.0%	1.2%	1.2%
2013	0.0%	0.9%	-0.4%	0.7%
2014	0.1%	0.2%	0.4%	0.0%
2015	-1.8%	0.4%	-0.5%	0.1%
2016	0.1%	-1.3%	-0.5%	0.4%
2017	-1.8%	-1.2%	0.2%	-0.2%
2018	-1.1%	-0.2%	0.4%	-0.2%

Source: ADOLWD, McDowell Group calculations.

- Sitka’s population decline since 2014 is greater than Juneau’s (down 2.7%). Ketchikan’s population was essentially flat of the same period (up 0.2%)
- Statewide, Alaska’s population declined 0.5% between 2016 and 2018, a loss of 3,437 residents. The statewide change in population included net out-migration of approximately 16,000 and natural increase (births versus deaths) of about 12,000.

Migration

- Between 2017 and 2018, 621 people established residency in Sitka while 768 left the community, resulting in net out-migration of 147 residents. Most migration (70 to 75%) in and out of Sitka is from or to areas outside the state. This data does not include non-resident workers residing in Sitka seasonally.
- This data suggests that approximately 8% of Sitka’s population “turns over” each year, with about one-quarter of the population turning-over every three years.

Table 1. Sitka Population Migration, 2016-2018, plus 5-Year Average

	2016	2017	2018	5-Year Average
Entering Sitka from:	710	625	621	693
Anchorage	42	30	47	42
Juneau	48	51	38	43
Other Southeast	94	93	59	86
Other Alaska	18	8	31	23
Outside Alaska	508	443	446	499
Leaving Sitka to:	753	802	768	781
Juneau	77	50	59	67
Anchorage	60	45	42	47
Other Southeast	19	64	45	44
Other Alaska	68	64	41	53
Outside Alaska	529	579	581	570

Source: ADOLWD; McDowell Group calculations.

Births/Deaths and Population Projections

- Population change results from a combination of net migration and natural increase. Natural increase is the difference between the number of local deaths versus the number of births. Sitka experienced natural increase of 34 residents in 2018, including 94 births and 60 deaths.
- Over the past five years, natural increase has averaged 22 people annually.

Figure 3. Sitka Births and Deaths, 2014-2018

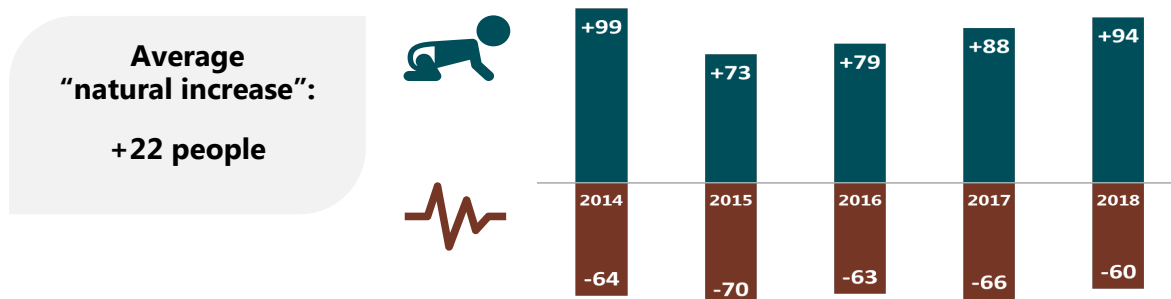


Table 2. Sitka Births and Deaths, 2014-2018

	2014	2015	2016	2017	2018
Births	+99	+73	+79	+88	+94
Deaths	-64	-70	-63	-66	-60
Net	35	3	16	22	34

Source: ADOLWD; McDowell Group Calculations.

- ADOLWD projects that deaths will outpace births in Sitka within the next five years, along with a long-term population decline.
- Sitka's population is projected to decrease to 8,300 by 2030 and to 7,500 by 2045, based on the trajectory of current migration and natural change trends.
- Sitka's projected 25-year decline is greater than Juneau's (-1.4%) and Ketchikan's (-8.9%) and in sharp contrast to the statewide projection for 13.8% growth over the next 25 years.
- Its important to note that ADOLWD population projections do not consider shifts in economic conditions that could support population stability or growth.

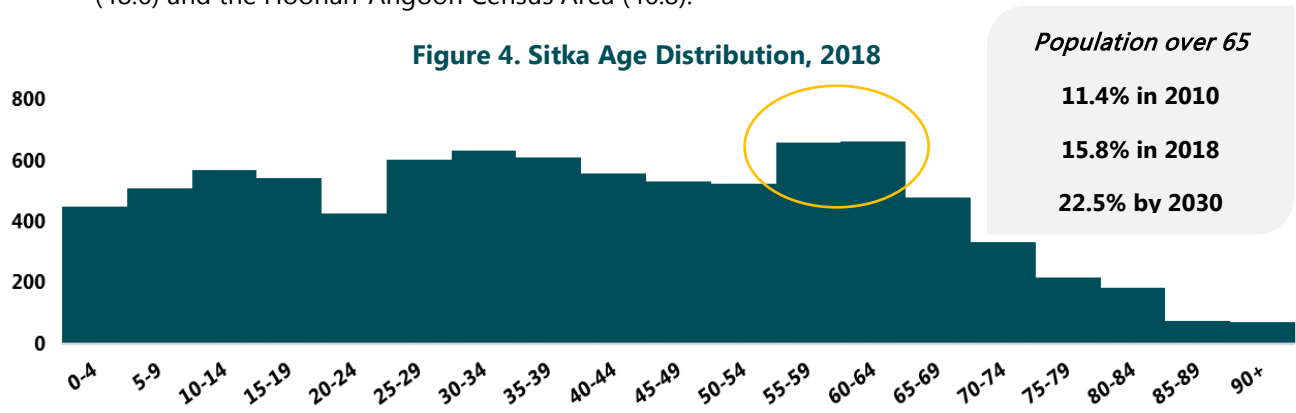
Table 4. Population Projections Through 2045

Year	Sitka	Juneau	Ketchikan	Alaska
2018	8,652	32,247	13,843	736,239
2020	8,609	32,242	13,620	746,582
2025	8,489	32,554	13,561	770,392
2030	8,312	32,640	13,418	790,777
2035	8,092	32,531	13,186	808,367
2040	7,829	32,240	12,919	823,771
2045	7,530	31,783	12,607	837,806
Total Change (%)	-13.0%	-1.4%	-8.9%	13.8%

Source: ADOLWD; McDowell Group Calculations.

Age Trends

- An important socioeconomic trend in Sitka is the community's aging population. In 2018, 16% of the population was over 65 years of age. By 2030, 23% of the population will be over 65, according to ADOLWD projections. The increase in the senior population reflects a "bubble" of 55 to 64-year-old residents moving into retirement age.
- Sitka's median age of 39.8 in 2018 is above the statewide median of 35.2, though on par with Ketchikan (39.4) and Juneau (38.3). Median ages in some other Southeast areas are much higher, notably Haines (48.6) and the Hoonah-Angoon Census Area (46.8).



Source: ADOLWD.

Table 5. Sitka Population by Age Cohort, 2010, 2018, and 2030 Projected

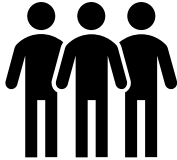
Age Breakout	2010	2018	2030
0-4	624	448	379
5-9	561	510	380
10-14	546	571	394
15-19	560	544	467
20-24	519	427	561
25-29	613	605	505
30-34	641	633	503
35-39	604	610	566
40-44	561	560	597
45-49	649	531	597
50-54	787	526	602
55-59	696	661	475
60-64	512	663	414
65-69	319	479	455
70-74	257	335	520
75-79	165	218	408
80-84	130	183	256
85-89	102	76	133
90+	35	72	100
Median Age	38.1	39.8	43.4

Source: ADOLWD; McDowell Group Calculations.

Sitka's Economic Footprint

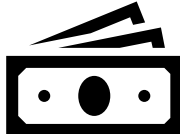
- There are various ways to describe the size of Sitka's economy. The largest measure is output, at just under \$1 billion annually. This is a measure of the total value of goods and services produced in Sitka, including government services. It is a model-derived, high-level estimate based on a blend of Sitka-specific data and national factors.
- Another measure is "value added", which is estimated at just over half a billion dollars annually for Sitka. This is a measure of the total value of goods and services produced in Sitka less the value of imported goods and materials.
- Total personal income is a measure of income from all sources earned by residents of Sitka. This measure does not include wages earned locally by non-residents. Total personal income is a good measure of economic trends in a community, though is only available on an 18-month lag.
- Total gross business sales are a measure of local business activity and provides a good barometer of overall trajectory of the economy. Gross sales totaled \$411 million in 2017.

Measures of Sitka's Economy, 2017



Total Output
\$958 million

Total Value-added
\$528 million



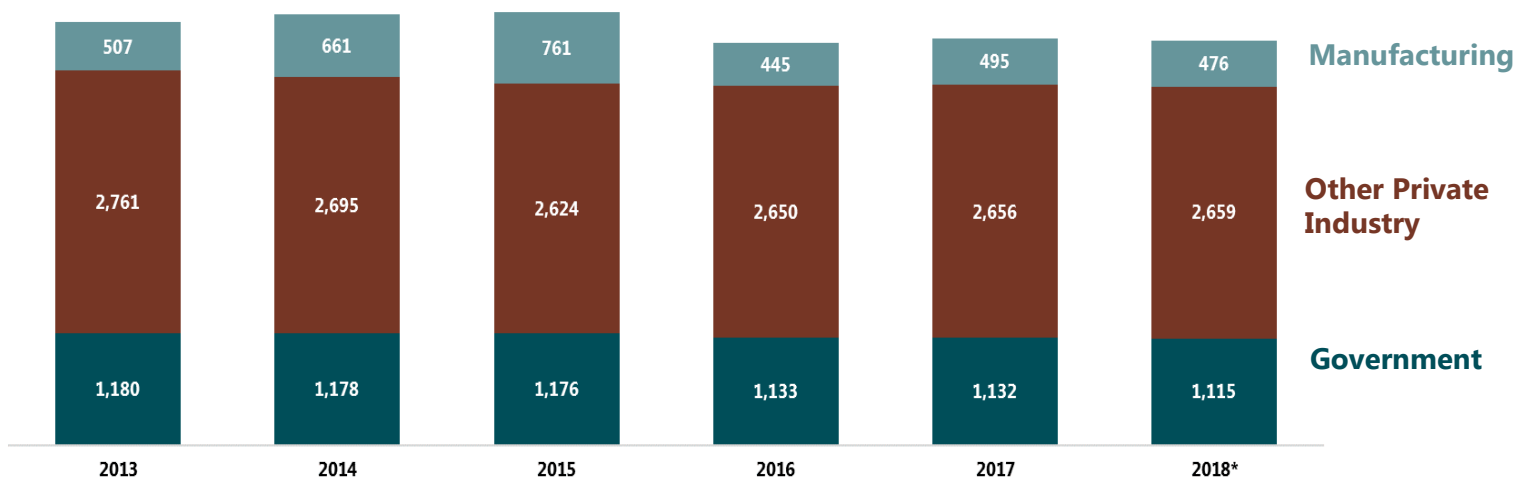
Total Personal Income
\$571 million

Total Gross Sales
\$411 million

Employment Trends

- Sitka’s economy included an average of 4,250 wage and salary jobs in 2018, according to preliminary ADOLWD data. This measure of employment does not include self-employed people or active duty military.
- Wage and salary employment in Sitka have been steady over the past three years, ranging between 4,228 and 4,282 jobs.
- Because of erroneous data in the manufacturing sector, total employment prior to 2016 overstates the actual job count in Sitka. Excluding manufacturing employment (which is mainly in seafood processing), the stability in wage and salary employment extends back several more years.
- While employment in Sitka has been steady, recession in Alaska has cost the statewide economy 12,000 jobs since 2015.

Figure 5. Sitka Employment Trends, 2013-2018



Source: QCEW, AKDOLWD
*2018 data are preliminary

Table 3. Sitka Employment Trends, 2013-2018

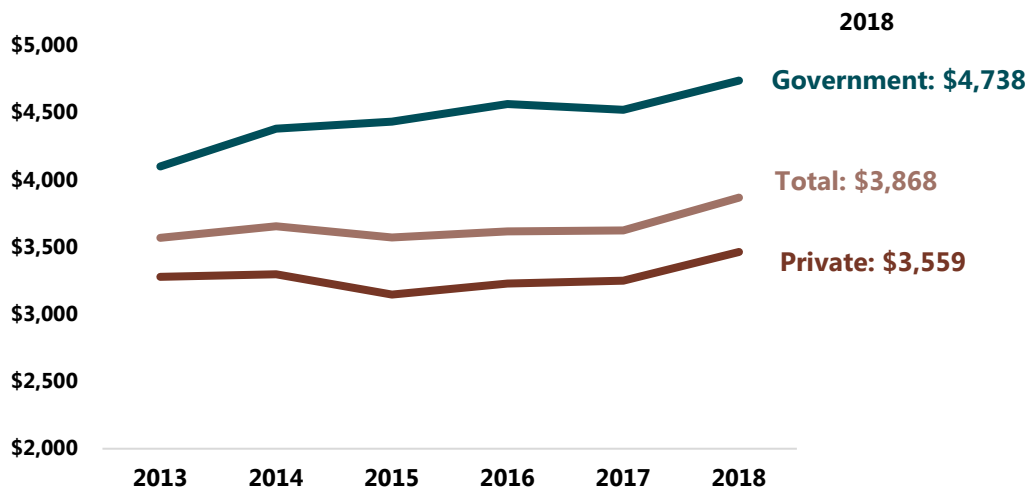
Industry	2013	2014	2015	2016	2017	2018*
Government	1,180	1,178	1,176	1,133	1,132	1,115
Other private industry	2,761	2,695	2,624	2,650	2,656	2,659
Manufacturing	507	661	761	445	495	476
Total employment	4,448	4,534	4,561	4,228	4,283	4,250

Source: QCEW, AKDOLWD
*2018 data are preliminary.

Wage Trends

- The average monthly wage in Sitka in 2018 was \$3,868 (the equivalent of \$46,416 annually). This average includes \$4,738 in the government sector (local, state and federal combined) and \$3,559 in the private sector.
- Preliminary data for 2018 indicates a significant increase in average monthly wages compared to 2017. The average private sector wage was up 8% and the overall average was up 7%. These figures are subject to revision as final numbers are released by ADOLWD.
- Sitka’s average monthly wage in 2018 is well below the statewide average of \$4,434.
- Wages earned in Sitka in 2018 totaled \$197.3 million, up 6% from the 2017 total of \$186.3 million.

Figure 6. Sitka Monthly Wage Trends, 2013-2018



Source: QCEW, AKDOLWD

Table 4. Sitka Monthly Wage Trends, 2013-2018

Industry	2013	2014	2015	2016	2017	2018*
Government	\$4,100	\$4,382	\$4,433	\$4,565	\$4,521	\$4,739
Private industry	\$3,377	\$3,402	\$3,274	\$3,271	\$3,302	\$3,559
All Sectors	\$3,569	\$3,656	\$3,572	\$3,617	\$3,624	\$3,868

Source: QCEW, AKDOLWD. Data prior to 2016 includes some seafood processing jobs located elsewhere in Alaska.

*2018 data are preliminary.

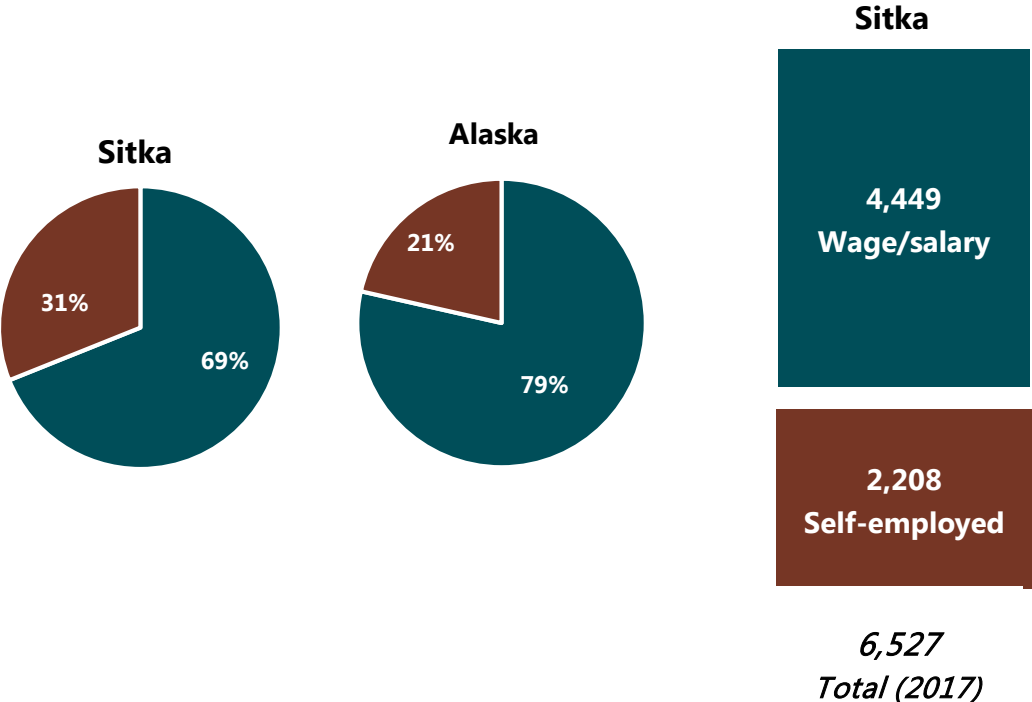
Table 5. Average Monthly Wage, by Area, 2018

Area	Average Monthly Wage (\$)
Alaska	4,434
Anchorage	4,660
Juneau	4,253
Ketchikan	3,819
Sitka	3,624
Petersburg	3,588
Wrangell	3,193

Source: QCEW, AKDOLWD

Wage/Salary Employment & Self-Employment

- Wage and salary employment and self-employment together accounted for 6,527 jobs in Sitka in 2017, according to the latest available BEA data.
- Wage and salary employment accounted for 69% of all employment in Sitka in 2017. Self-employment totaled 2,208 jobs, 31% of all employment in Sitka.
- Self-employment accounts for a larger share of jobs in Sitka than in Alaska overall. In Alaska self-employment accounts for 21% of all jobs. Sitka’s higher reliance on self-employment is related primarily to the large number of commercial fishermen in the community.
- Sitka is also more reliant on self-employment than Southeast Alaska’s other larger communities. In 2017, the self-employed account for 24% of jobs in Ketchikan and 21% of jobs in Juneau.



Labor Force/Unemployment

- Sitka’s labor force totaled 4,408 workers in 2018, including employed and unemployed (but seeking employment) residents. This is a count of the number of local residents in the workforce. It does not include seasonal nonresident workers.
- Sitka’s labor force has been shrinking, consistent with a decline in population and an aging population.
- Sitka’s unemployment rate is among the lowest in the state. The 2018 average rate of 4.2% is the lowest among all urban areas in Alaska.
- Sitka’s average annual unemployment rate has been declining steadily over the past eight years. As of March 2019, unemployment stood at 4.8% in Sitka.

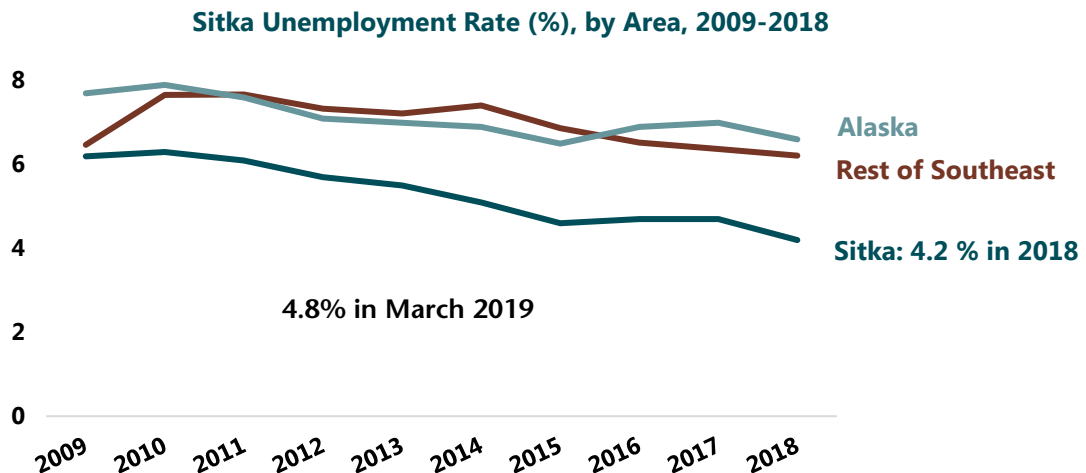
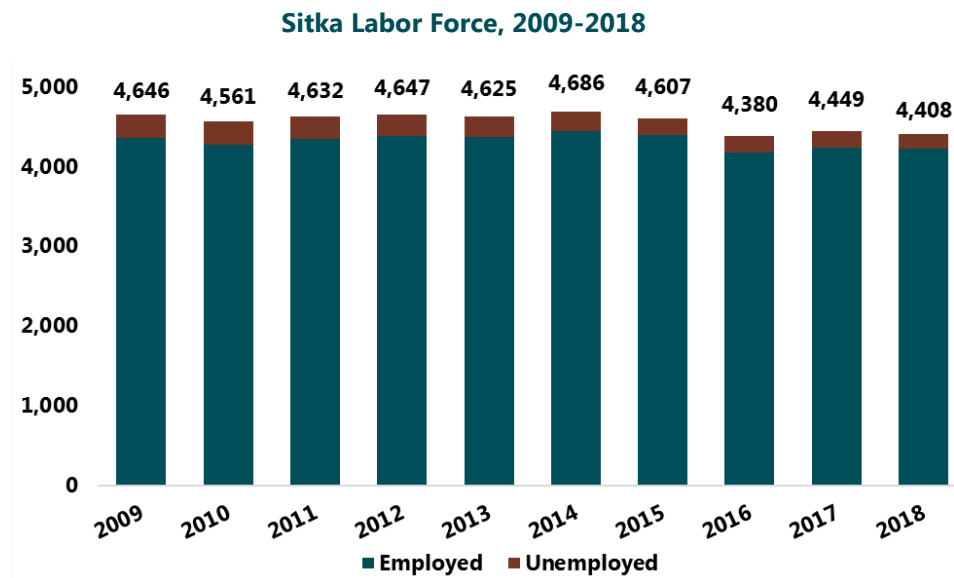


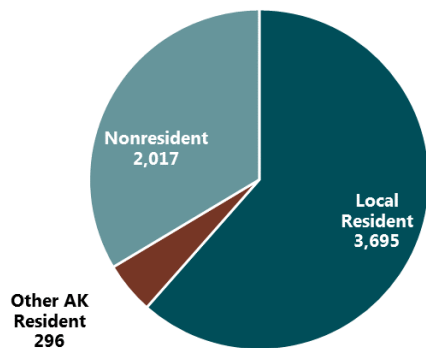
Table 6. Unemployment Rates (%), by Area, 2009-2018

Industry	Sitka	Rest of Southeast	Alaska
2009	6.2	6.5	7.7
2010	6.3	7.7	7.9
2011	6.1	7.7	7.6
2012	5.7	7.3	7.1
2013	5.5	7.2	7.0
2014	5.1	7.4	6.9
2015	4.6	6.9	6.5
2016	4.7	6.5	6.9
2017	4.7	6.4	7.0
2018	4.2	6.2	6.6

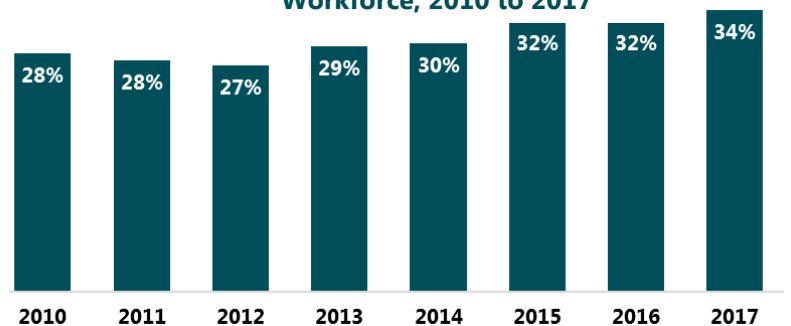
Non-Resident Workers

- In 2017, Sitka’s workforce included 2,017 non-Alaska residents and 296 Alaskans from elsewhere in the state.
- Nonresidents are an important source of labor for Sitka employers. Non-Alaska residents account for 33.6% of the local workforce in 2017. Including Alaska residents from elsewhere in the state, 38.5% of the workforce was non-local.
- Sitka is increasingly dependent on nonresidents to meet its labor needs, rising from 27% in 2012 to 34% in 2017.
- Sitka is more dependent on nonresidents than Ketchikan and Juneau, as illustrated below.

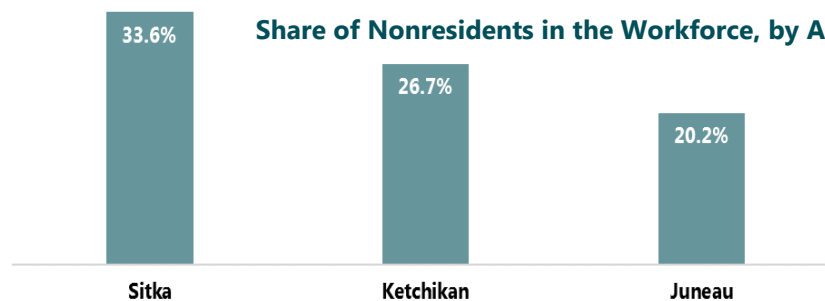
Nonresidents in the Sitka Workforce, 2017



Share of Nonresidents in the Sitka Workforce, 2010 to 2017



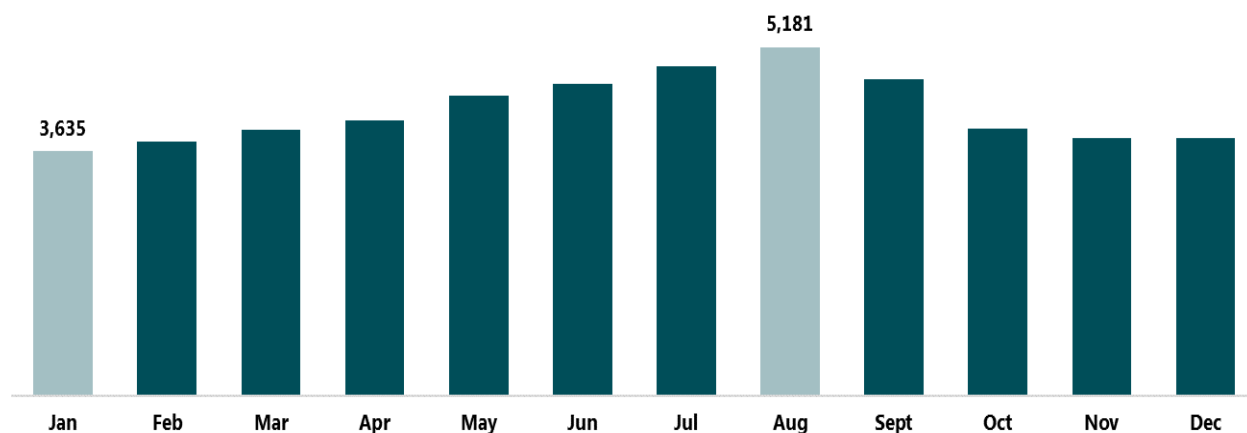
Share of Nonresidents in the Workforce, by Area, 2017



Seasonality of Employment

- Sitka's economy has a strong seasonal aspect. Peak employment (typically in August) is 40% higher than the winter low-point (in January).
- Over the past ten years, Sitka's economy has become more seasonal. Employment in the winter months has declined while summer employment has increased. Growth in seafood processing and the visitor industry account for much of this shift.

Sitka Employment by Month, 2018



Source: QCEW, AKDOLWD

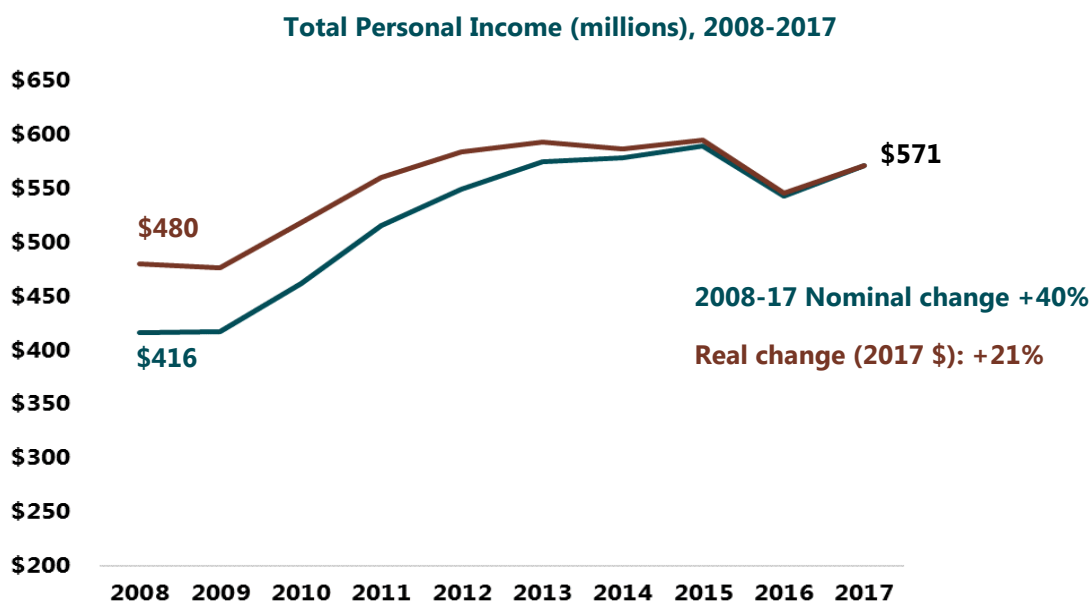
Table 7. Sitka Seasonal Employment

	2009	2018	% Change
January	3,756	3,635	-3.2%
February	3,856	3,774	-2.1%
March	3,990	3,950	-1.0%
April	4,127	4,098	-0.7%
May	4,470	4,464	-0.1%
June	4,580	4,645	1.4%
July	4,902	4,904	0.0%
August	5,099	5,181	1.6%
September	4,638	4,712	1.6%
October	4,132	3,979	-3.7%
November	3,969	3,835	-3.4%
December	3,855	3,825	-0.8%

Source: QCEW, AKDOLWD

Personal Income

- Sitka residents earned \$571 million in total personal income in 2017. This is a measure of income from all sources, including from employment, investments, and transfers from government.
- Between 2008 and 2017, total personal income increased 40% in nominal dollars. The real increase (after adjusting for inflation) was 21%.



Source: BEA, ADOLWD, CPI. Real values calculated by McDowell Group using the Urban Alaska CPI.

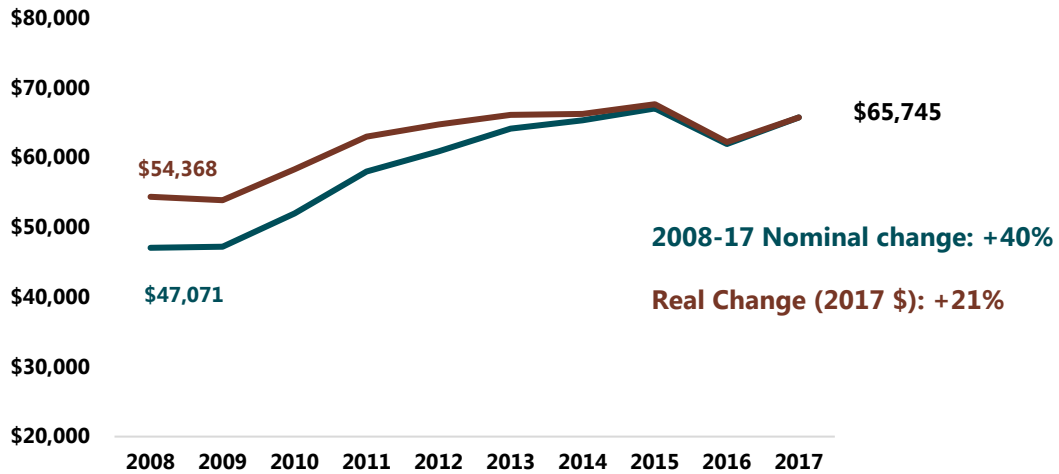
Table 8. Sitka Total Personal Income (millions), 2008-2017

Industry	Nominal Income	Real Income
2008	\$416	\$480
2009	418	477
2010	462	518
2011	516	560
2012	550	584
2013	575	593
2014	578	586
2015	589	594
2016	543	546
2017	571	571

Source: BEA, ADOLWD, CPI. Real values calculated by McDowell Group using the Urban Alaska CPI.

- Per capita income among Sitka residents was \$65,745 in 2017. Per capita income in Sitka increased each year between 2008 and 2017, except between 2015 and 2016.
- Per capita income growth has matched growth in total income. In real inflation-adjusted dollars, Sitka per capita income increased 21% between 2008 and 2017.

Per-Capita Personal Income, 2008-2017



Source: BEA, ADOLWD, CPI. Real values calculated by McDowell Group using the Urban Alaska CPI.

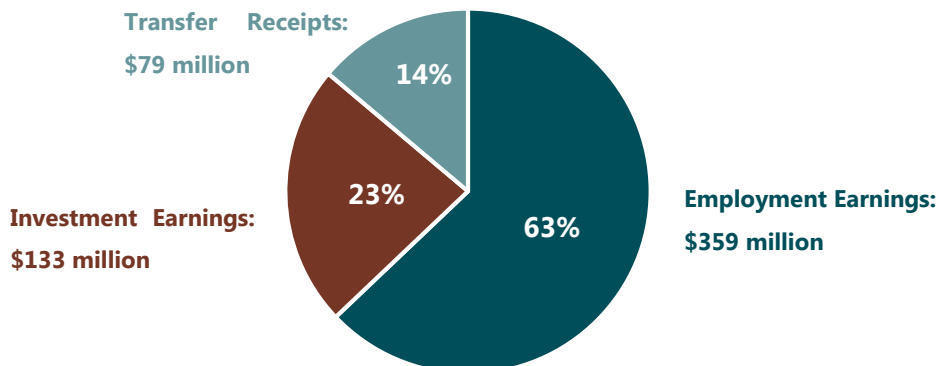
Table 9. Sitka Per-Capita Personal Income, 2008-2017

Year	Nominal Income	Real Income
2008	\$47,071	\$54,368
2009	47,214	53,894
2010	52,011	58,335
2011	58,005	63,029
2012	60,915	64,748
2013	64,163	66,124
2014	65,344	66,273
2015	67,048	67,655
2016	61,931	62,228
2017	65,745	65,745

Source: BEA, ADOLWD, CPI. Real values calculated by McDowell Group using the Urban Alaska CPI.

- Income from employment accounts for just under two-thirds of Sitka resident income. Income from investments accounts for about one-quarter, and transfer payments (from government to individuals) account for the balance.

Sitka Personal Income Sources, 2017



Key Industry Conditions and Trends

Seafood Industry

- The seafood industry is a key source of jobs, income, and tax revenue in Sitka. In 2017, 425 Sitka resident permit holders harvested 33.5 million pounds of fish with a total ex-vessel value of \$48 million, according to CFEC data.
- The ex-vessel value of all seafood landed (and processed) in Sitka totaled \$75.4 million in 2017.

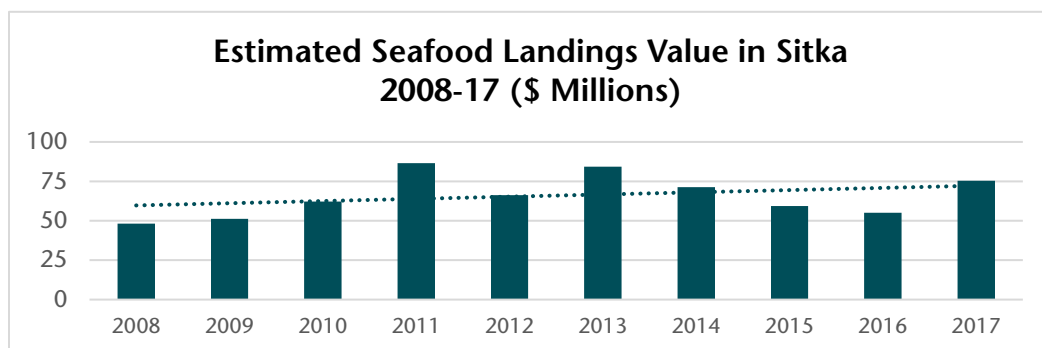
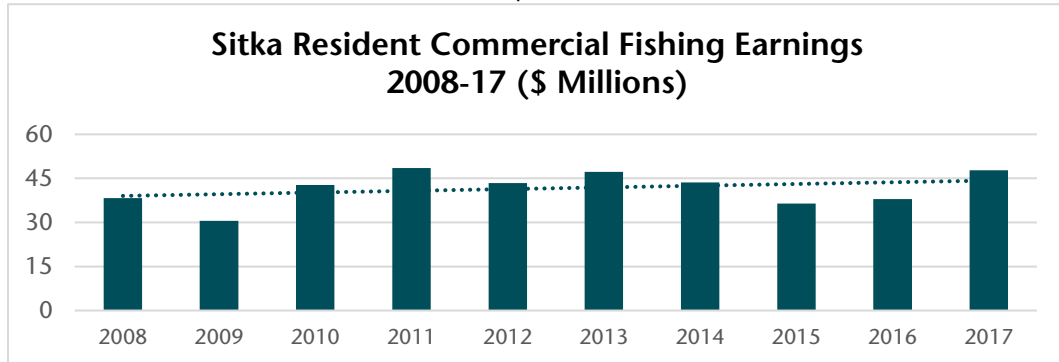
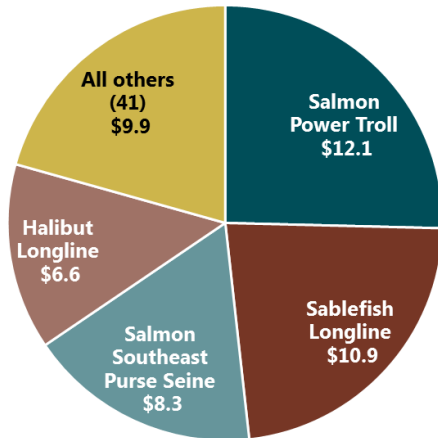


Table 10. Sitka Resident Participation, Harvest, and Earnings, Value of Sitka Landings, 2008-2017

	Active Permit Holders	Total Pounds Harvested	Total Ex-vessel Earnings (\$ millions)	Estimated Sitka Landings Value (\$ millions)
2008	445	22.0	\$38.3	\$48.2
2009	468	29.4	30.5	51.3
2010	458	33.9	42.7	62.2
2011	467	37.4	48.5	86.5
2012	481	25.5	43.4	66.2
2013	456	50.2	47.2	84.3
2014	456	35.7	43.6	71.3
2015	445	36.5	36.4	59.4
2016	450	24.3	38.0	55.0
2017	425	33.5	47.8	75.4

- Sitka power trollers generated the largest share of ex-vessel earnings, accounting for one-quarter of the \$48 million total in 2017. Long-line harvest of sablefish (blackcod) accounted for just under \$11 million in ex-vessel income. Salmon seiners earned \$8.3 million and local halibut fishermen earned \$6.6 million in ex-vessel income.

Sitka Fisherman Earnings (\$ Millions), by Permit Type, 2017

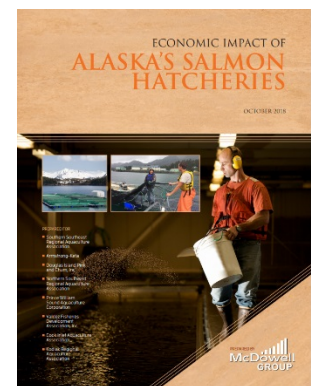


Seafood Processing

- Seafood processing accounted for an annualized average of 403 jobs in Sitka in 2018. This includes peak monthly employment of 889 (in August) and a monthly low of 156 (in January)
- Sitka's seafood processing sector generated total wages of \$14.3 million in 2018.
- Seafood processing generated \$1.3 million in raw fish tax for the City and Borough of Sitka.
- Three of Sitka's top six property taxpayers are seafood processors. Those three processors have a total combined assessed property valuation of \$18 million.

Hatchery Impacts

- Statewide, hatchery salmon accounted for:
 - \$120 million in ex-vessel value: 22% of total salmon value (2012-17)
 - \$361 million in first wholesale value: 24% of AK total
- Southeast Alaska hatcheries accounted for:
 - 2,000 jobs and \$90 million in annual labor income
- NSRAA generates approximately 30% of the regional economic impact of salmon hatcheries.

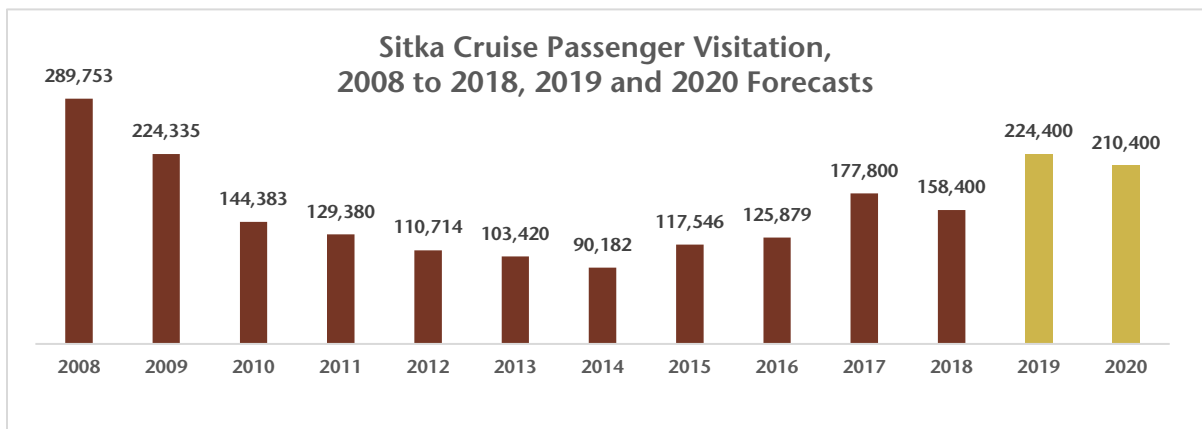


Visitor Industry

- The most recent full accounting of visitor travel indicates 158,000 non-residents traveled to Sitka in 2016. This estimate is from the 2016 Alaska Visitor Statistics Program (AVSP) 7. AVSP 7 also found that visitors spent an average of \$353 per person while in Sitka, resulting in total spending of approximately \$56 million.

- **2016 visitors: 158,000**
- **Avg. Spending: \$353/per person**
- **\$56 million in total 2016 Spending**

- In 2016, most (82%) of Sitka's visitors arrived in Alaska via cruise ship. About 1 in 7 (17%) arrived by airline, and the remainder traveled to Alaska on the AMHS.
- Since 2016, visitor travel to Sitka has increased substantially, as a result of increased cruise passenger visitation. In 2018, 158,400 cruisers visited Sitka, 25% more than in 2016.
- Cruise traffic will jump sharply in 2019, to just over 224,000, a 40% increase, based on scheduled arrivals. Traffic is expected to step back slightly (by about 6%) in 2020, to 210,000, based on preliminary ship schedules.
- In 2019, Sitka will capture a 16.5% share of the Alaska's total cruise market of 1.36 million passengers.



Source: CLAA

- Though a large part of the local economy, there are no regularly published, comprehensive measures of the employment impact of Sitka's visitor industry (the impact is spread across many sectors of the economy and requires custom research).
- In Southeast in 2016, \$715 million in visitor spending generated 11,925 jobs and \$445 million in total annual labor income, including all direct, indirect and induced economic effects. Visitor spending in Sitka accounted for 8% of regional spending.



Health Care & Social Services

- ADOLWD reports 610 private-sector jobs in Sitka in health care and social assistance. Workers in these jobs earned \$37.7 million in total annual wages in 2018.
- With approximately 450 employees, SEARHC is the single largest source of employment in this sector and in the community overall, in terms of year-round employment and annual payroll.
- ADOLWD figures do not include Sitka Community Hospital or the Pioneer Home, which are reported under local government and state government employment, respectively. Including jobs at those facilities pushes total health care and social assistance to approximately 750 workers earning approximately \$45 million in total annual wages (more than 20% of all wages earned in Sitka).
- A key part of the economic benefit of the health care sector in Sitka is the year-round employment it offers and the comparatively high wages paid. Monthly wages are about one-third higher than the economy-wide average.
- This sector included 100 workers and \$2.6 million in annual wages associated with providing various forms of social assistance. There are ten employers in this category, including the Center for Community, Sitka Counseling, and Youth Advocates of Sitka, among others.
- Private out-patient care providers accounted for an average of 48 jobs and \$1.5 million in wages in 2018.

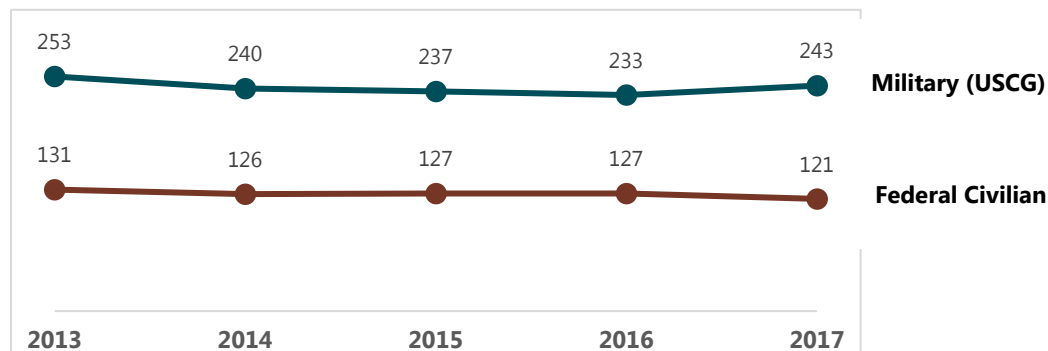


Federal Government

- The “national interest” sector is another important source of year-round employment and other economic activity in Sitka.
- BEA reported uniformed military employment in Sitka at 243 active duty and reservists, with \$21 million in total annual wages and benefits in 2017.
- ADOLWD reported 188 active duty USCG personnel in Sitka. Those personal had 290 dependents.
- Civilian federal government employment included 121 jobs and \$13.9 million in wages and benefits in 2017. The USDA Forest Service is the largest component of federal employment in Sitka. Federal government workers earned a monthly average wage of \$7,000 (\$84,000 annually), making them, as a group, among the highest paid workers in the community.
- In addition to being a source of steady, year-round, high-wage jobs, federal employment has been stable over time, changing little over the past five years.



Federal Employment in Sitka, 2013-2017



Source: BEA.

Other Economic Activity

- The seafood industry, health care, tourism, and federal government activity form the foundation of Sitka's economy, there are other important sources of economic activity.
- Organizations focused on Alaska Native affairs are together a powerful economic force in Sitka. This includes SEARHC (as noted above, the largest single employer in Sitka), the region's Indian Health Service (IHS) provider. Sitka Tribe of Alaska (STA) is the federally recognized government entity representing the interests of 4,000 tribal citizens residing in Sitka and elsewhere. STA provides a broad range of services and operates a variety of tribal enterprises. Shee Atika is Sitka's ANCSA urban corporation and is the source of income, scholarships, and other benefits for local shareholders.
- Manufacturing is big business in Sitka, mainly in the form of seafood processing. However, there is other manufacturing activity creating jobs and income in Sitka. In 2018, there were 75 jobs and \$3 million in wages in manufacturing (mainly boat building) not related to seafood.
- Sitka's Professional and Business Services sector accounted for 187 jobs and \$6.5 million in total wages in 2018, up from 177 jobs and \$6.3 million in wages in 2017. This sector includes a wide variety of employers, including attorneys, accountants, and engineers; science and technology professionals; catering services, and a range of other professions.
- Sitka's retail sector is the source of hundreds of jobs. In 2018 employment in the local retail sector averaged 459 jobs, with total annual wages of \$12.9 million. Forty-nine firms reported employment in the retail sector. Though a portion of this sector is visitor-related, retail employment overall is fairly steady over the year, ranging from a monthly low of 430 to a high of 500 workers. Sitka's retail sector saw some growth in 2018 compared to 2017, when employment averaged 449 and wages totaled \$12.0 million.
- Construction employment in Sitka averaged 154 jobs in 2018, with total annual wages of \$10.9 million. These are high-wage jobs, averaging \$5,911 per month, or just over \$70,000 annually. Construction employment declined slightly between 2017 and 2018, though total wages were higher. In 2017 there were 165 jobs and \$10.7 million in total wages in Sitka's construction sector.



Role of State Spending

- As Alaska wrestles with its state government budget deficit, communities dependent on state spending face varying degrees of economic risk. Sitka has a relatively high degree of dependence on state government spending.
- In 2018, state government directly accounted for 323 jobs and \$15.3 million in total annual wages in Sitka. This includes Mount Edgecumbe High School, the Pioneer Home, UAS-Sitka Campus, and other state agencies such as the departments of Transportation and Public Facilities, Public Safety, Fish and Game, and others.
- State money also flows into Sitka in the form of K-12 education funding. Sitka received about \$13 million in state education funding in FY2018.
- The Alaska Marine Highway System (AMHS) is threatened by substantial budget cuts. In 2015 (the last year for which detailed data is available) about 12,500 passengers disembarked in Sitka, along with 3,500 vehicles. Sitka embarkations accounted for about \$1.4 million in AMHS revenue in 2015. Sitka resident travel accounted for about half of that revenue, while Alaskans from elsewhere in the region and non-Alaskans accounted for roughly a quarter each.
- Currently approximately 216,000 Alaskans receive Medicaid benefits, about 30% of the state's population. In proportion to the state's population, about 2,500 of those recipients are Sitka residents. About one-third of the billion-dollar Health Care Medicaid Services program is state funded.
- State funding flows into Sitka's economy in other ways as well, such as capital project funding and contracts for various services and supplies provided by local vendors.



Summary

This review of Sitka's economy can be distilled down to several key points:

- Sitka's economy is diverse, with important contributions from the seafood industry, tourism, health care and national interest federal government (USCG and USFS). This diversity provides an important degree of economic resiliency.
- Sitka's economy has exhibited stability over the long-term, with population and employment fluctuating within a narrow band over the past decade. Sitka has largely been spared the losses Alaska has suffered over the past three years of recession.
- While employment and population have been generally stable (until relatively recently), total and per capita real (inflation adjusted) income earned by Sitka residents has been growing.
- Looking ahead, the visitor industry probably offers the greatest potential for economic growth in Sitka. A 40% jump in cruise passenger traffic in 2019 will spur visitor spending and employment with businesses that serve visitors. In general, the outlook for Alaska's visitor industry is good, both near term and over the long-term.
- Though Sitka's recent-past economic indicators are generally good, there are trends to watch with some concern. Population decline over the past several years has so far not been inconsistent with variability that is typical for the community. However, another year of decline in 2019 would be the third consecutive year of population loss and would be on top of the 5% decline since 2014.
- Other aspects of the economy worth close observation include the size and composition of the labor force. The resident labor force is slowly shrinking and non-residents are an increasingly important source of labor. With an unemployment rate near the lowest in Alaska, there is risk that lack of available labor will act as a drag on the economy.
- Finally, a factor outside local control but very important to the local economy is how the State addresses its budget gap. It is very likely cuts in the FY2020 budget will negatively affect Sitka (and virtually all other communities) and it is also likely that there will be further cuts in FY2021. Uncertainty about the state budget is likely to persist in the absence of a long-term fiscal plan, which will weaken business confidence and perhaps constrain investment in some sectors of the economy.