Juneau Economic Baseline Report

EXECUTIVE SUMMARY

Prepared for
CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Prepared by
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Executive Summary

The Juneau Economic Baseline Report was produced as part of the 2014 economic development planning process conducted by McDowell Group and Sheinberg Associates for the City and Borough of Juneau. The purpose of the report is to inform development of a 10-year strategic economic development plan for the city, the Juneau Economic Plan. The baseline report describes Juneau’s current economic conditions and trends over the past 10 years, with special focus on Juneau’s key industries. The report also describes Juneau’s demographic profile and trends.

Over the past ten years Juneau’s economy has been in a period of slow growth, measured in terms of population, employment, and personal income. Growth has been slower in Juneau than in Alaska overall. These and other trends are summarized below.

Income Trends

*Growth Slow, though Average Personal Income Remains Higher than Statewide Averages*

- Juneau resident personal income totaled $1.8 billion in 2012. In “real” inflation-adjusted dollars Juneau experienced 18 percent growth in total personal income between 2003 and 2012, versus 26 percent in Alaska overall.

- Real per capita personal income increased 13 percent in Juneau between 2003 and 2012. Per capita personal income in Juneau was $55,167 in 2012, 12 percent higher than Alaska statewide ($49,436) and 26 percent the U.S. ($43,735).

- Total personal income growth in Juneau has been occurring at an average annual rate of about 1.7 percent. Per capita personal income has been growing at an annual rate of about 1.2 percent.

- While income growth in Juneau has lagged behind the rest of urban Alaska, Juneau incomes remain above statewide and national averages. Juneau’s median household income was $78,947 in 2012, 13 percent higher than the Alaska average of $69,917 and 54 percent more than the U.S. average of $51,371.

- A smaller percentage of Juneau’s population (6.4 percent) lives below the federal poverty level than in Alaska statewide (9.6 percent) or the U.S. (14.6 percent).
• Among Juneau’s 12,323 households, annual income for one-fifth (21 percent) was between $50,000 and $75,000, 18 percent had income between $75,000 and $100,000, and another fifth (21 percent) had income between $100,000 and $150,000.

**Figure ES-1. Number of Juneau Households by Annual Income**

![Bar chart showing number of Juneau households by annual income.](chart)


• Included among Juneau’s 12,323 households are 7,955 family households (a family household is a group of two people or more related by birth, marriage, or adoption and residing together). The median income among Juneau family households is $92,002, with a mean of $110,154. Juneau’s median family income is 12 percent above the statewide median of $81,572 and 47 percent above the U.S. median of $62,527.

**Figure ES.2. Number of Family Households by Annual Income**

![Bar chart showing number of family households by annual income.](chart)


• Alaska Native median family income in Juneau is estimated at $60,208, about one-third below the community-wide family household median income (this ACS estimate has a margin of error of ±$18,348).

• Juneau males aged 15 and over with income had median income of $44,243, while females had median income of $33,279, based on 2010-2012 ACS data.
Retirement and Investment Income Increasingly Important for Juneau Resident Personal Income

- Earnings from employment accounted for 68 percent of Juneau’s total personal income in 2012; dividends, interest, and rent for 21 percent; and transfer receipts for 11 percent.

- Between 2003 and 2012, Juneau resident personal income from dividends, interest, and rent grew at a much faster rate (47 percent total increase) than the other two primary sources of income: resident earnings increased 11 percent and transfer receipts increased 15 percent.

Employment

Slow Job Growth Overall – Declines in Government, Increases in the Private Sector

- Juneau’s economy in 2013 included a total of 18,086 wage and salary jobs, with a summer high of 19,543 (in August) and a winter low of 16,902 (in December). These job counts include jobs held by residents and non-residents.

- Private sector wage and salary employment in Juneau is quite seasonal, rising from a winter low-point of 9,751 jobs (in January 2013) to an August high of 12,591. That represents a 30 percent change in employment over the course of the year.

- Government sector employment is actually counter-cyclical to the private sector. In 2013, government employment was at its highest in April (7,445 jobs) and at its lowest in July (6,337 jobs). The change is due largely to reduced school district employment in the summer.
Employment Trends

- From a long-term perspective, wage and salary employment in Juneau has been growing slowly, at an average annual rate of about 0.5 percent between 2004 and 2013. In total, employment increased by 831 jobs over that ten-year period.

- The number of government sector jobs declined by 397 between 2004 and 2013, while private sector employment increased by 1,228. Government sector employment in Juneau has fallen in each of the last three years, with a total loss of 341 jobs since 2010. Local government accounts for most of that loss; down 259 jobs (11 percent).

- Juneau’s unemployment rate dropped to 4.6 percent in 2013, the lowest point since 2007. Juneau’s unemployment rate in 2013 was lower than the Alaska average (6.5 percent) and the national average (7.4 percent).

- While the longer-term trend has been one of slow growth, the most recent available employment data indicates Juneau lost 241 jobs in 2013, compared to 2012. Most of that decline (200 jobs) was in the government sector, but the private sector also lost ground (down 41 jobs).

- Employment in local, state and federal government declined in 2013, though, proportionately, federal government suffered the greatest loss (8 percent decline, versus 5 percent for local government and 0.7 percent for state government). In addition to jobs associated with City administration, local government includes the school district, Bartlett Regional Hospital, and tribal government.
Earnings

- Wage and salary payroll in Juneau totaled $881 million in 2013, including $421 million in government wages and $460 million in private sector wages.

- The average monthly wage among all jobs in Juneau in 2013 was $4,062. This included a government sector average of $4,946 and private sector average of $3,490.

- Within the government sector, federal government pays (by a wide margin) the highest monthly wages, at an average of $7,295 in 2013 (annualized to $87,540). State government pays an average $4,777, while local government pays an average of $4,430 per month.

- Private sector wages are topped by the mining industry, at $8,047 per month, or $96,564 per year. Other above-average wage sectors include construction ($5,361), telecommunications ($5,872), water transportation ($5,202), and the “professional, scientific and technical” sector ($5,224).

- Lower-paying sectors include leisure and hospitality ($1,514 – a figure that does not capture tip income) and retail trade ($2,347). Both these sectors have relatively high proportions of part-time workers. The leisure and hospitality sector (which includes restaurants, bars, and hotels) should not be considered synonymous with the visitor industry. The visitor industry also includes jobs in air and water transportation, as well as jobs in the retail sector.

Non-Residents a Large and Growing Part of the Juneau Labor Force.

- Based on 2012 data, 30 percent of the people employed in Juneau are non-residents, including workers from outside Alaska and workers from elsewhere in the state.

- In 2012, the Juneau labor force totaled 21,394 workers, including 2,586 non-local residents and 3,806 non-Alaska residents. (This data does not include federal government workers or the self-employed.)

- Non-Juneau residents working in Juneau earned a total of $167 million in wages in 2012. Juneau resident wages totaled $600 million.

- Non-local residents accounted for 38 percent of the private sector labor force and 31 percent of private sector wages. In total 5,375 non-local residents earned $134 million in private sector wages in 2012. A total of 8,766 local residents earned $301 million in private sector wages.

- The share of non-residents in the Juneau workforce has grown steadily over the past 10 years, from 28 percent in 2003 to 38 percent in 2012.

- The number of Juneau residents in the labor force has declined from 15,960 in 2006 to 15,002 in 2012, a 6 percent decrease.
The Majority of Juneau Employers are Small Businesses with Less than Ten Employees.

- In 2012, 72 percent of Juneau businesses employed fewer than 10 workers. These small businesses had a total of 2,694 employees, who earned a total of $75 million in annual wages.

- The 24 firms that had 100 or more workers in Juneau employed a collective total of 4,246 workers in 2012, who earned a total of $151 million in annual wages.

- A total of 7,201 workers were employed by 281 “mid-sized” employers who had between 10 and 99 employees. These businesses accounted for about 50 percent of total private sector employment in 2012.
Demographics

Slow Population Growth but a Rapidly Aging Population

- Over the past decade Juneau’s population has been growing slowly. Since 2004, Juneau has grown at an average annual rate of 0.5 percent. Juneau’s population in 2013 was 33,064, 1,851 above the 2004 population.

- Since 2010, Juneau’s population growth has accelerated, rising at an average annual rate of 1.9 percent.

- Approximately seven in ten Juneau residents identify themselves as White, 12 percent identify themselves as American Indian or Alaska Native, and 6 percent as Asian. Nine percent identify themselves by “two or more races.”

- Juneau’s population has been aging steadily, with median age rising from 31.9 years in 1990 to 37.9 years in 2013.

- Between 2000 and 2013, the number of Juneau residents age 55 and over increased from 14 percent to 25 percent of the total population. Over the same time period, the percent of youth 19 years old and under declined from 30 percent to 25 percent.

- Within ten years, one-fifth of Juneau’s population will be over 65 years of age. In 2013, 10 percent of the Juneau population was age 65 and over. By 2025, the percent is projected to double to 20 percent and remain at or near that rate through 2042. This local trend is consistent with national trends.
Key Industry Trends

State Government Remains the Economy’s Key Driver, though Juneau is Diversifying

State Government

- State government employment in Juneau has been reasonably steady over the past few years at around 4,300 jobs. Despite growth in other sectors, State government remains the dominant force in Juneau’s economy.

- In 2013, an average of 4,273 workers were employed by state government in Juneau. These workers earned a total of $245 million in wages.

- State government employees accounted for 24 percent of total cash earnings and 22 percent of monthly average employment in Juneau in 2013.

- Including indirect and induced jobs created by state government related spending in Juneau, the state likely accounts for 7,000 jobs and $350 million in annual wages in Juneau.

- Juneau’s share of state government employment in Alaska has been trending down. State government employment in Juneau in 2013 was about 75 jobs below the 2004 level. Statewide, employment in state government increased by 2,055 jobs over the same period. As a result, the percentage of state workers located in Juneau fell from 18.1 percent in 2004 to 16.3 percent in 2013.

Federal Government

- Civilian federal government employment in Juneau declined steadily, dropping from 959 in 2004 to 761 in 2013, a decline of 21 percent. NOAA and the USDA account for most civilian federal employment in Juneau, with 226 and 200 workers, respectively.

- In 2013, federal government accounted for $66.6 million in annual wages and generated the highest average wages in the community, after the mining industry. Federal workers in Juneau earned an average of $87,540.

- Statewide, civilian federal government employment has declined during the past decade as well, shedding 1,702 jobs since 2004 (a decline of 10 percent).

- The Coast Guard is actually the largest federal government employer in Juneau, with approximately 320 active duty personnel based in Juneau.
Local and Tribal Government

- Juneau’s economy included an average of 2,061 local and tribal government jobs with $109.6 million in total wages in 2013. In addition to jobs in city government, these figures include employment with the Juneau School District, Bartlett Regional Hospital, and jobs with various tribal organizations (mainly the Central Council Tlingit Haida Indian Tribes of Alaska-CCTHITA).

- Core CBJ functions (not including the school district, the hospital, or tribal government) account for approximately 590 jobs (as of FY2013).

- Local and tribal government employees directly accounted for 12 percent of total wages and 10 percent of employment in Juneau in 2013. The average job in this sector paid $51,160 in 2013.

- Local and tribal government employment in Juneau trended down since 2010, shedding 259 jobs between 2010 and 2013.

Visitor Industry

- According to the most recent available data, Juneau’s visitor industry accounts for about 2,200 jobs and $75 million in annual wages. Including multiplier effects, the visitor industry accounts for 2,750 jobs and $95 million in wages.

- With the exception of a downturn in the 2009/2010 period, the visitor industry has been a steadily growing component of Juneau’s economy over the past two decades. It is Juneau’s largest private sector industry in terms of employment and total wages.

- Cruise passenger visitation peaked in 2008, with 1,032,300 passengers. A steep decline (of 14 percent) in 2010 was followed by strong increases of 6 percent in 2012 and another 6 percent in 2013. The slight decline of 1.5 percent projected for 2014 reflects a decision by one cruise line to shift a small portion of their capacity to Asia.

- The visitor industry is an important source of sales tax revenue for the CBJ. It has been estimated that 20 percent of Juneau’s sales tax revenue stems from non-resident visitor spending.

- The visitor industry outlook is generally positive for the foreseeable future, with either steady or slow growing cruise volume and independent visitor traffic.

[Image: Cruise Ship from Sandy Beach (Photo Credit: Kirk Hardcastle).]
Health Care and Social Assistance

- In 2013, the health care and social assistance sector accounted for 2,100 jobs and over $100 million in payroll in Juneau. These figures include Bartlett Regional Hospital, SEARHC, REACH, Inc., and a wide variety of other health care and social services providers.

- Approximately 1,325 people are employed in the health care sector in Juneau, with total wages of approximately $75 million. This sector had been growing slowly but steadily over the past decade, before leveling off (and actually declining slightly) in 2013.

- The social assistance sector includes housing services, behavioral health services, community centers, vocational rehabilitation, child care, and senior services, among others. This sector has grown more quickly than health care. Key players in this sector in Juneau include REACH and Catholic Community Services.

- The social assistance sector employs approximately 840 people, with total annual wages of $26.5 million. Over the last decade, employment in the sector has grown by about 75 jobs, a nine percent increase.

Mining

- The mining industry was one of Juneau’s fastest growing industries over the past decade. Since 2004, employment in the sector more than doubled, from 275 to approximately 700 in 2013. Annual wages totaled approximately $65 million in 2013.

- The mining industry pays the highest average monthly wages in Juneau at $8,047, nearly double the economy-wide average of $4,062. The average annual wage in Juneau’s mining industry was $96,564 in 2012.

- The mining industry includes Juneau’s two largest property tax payers. In 2013, Coeur Alaska (Kensington Mine) paid $1.15 million in real property taxes. Hecla (Greens Creek Mine) paid $839,000 in property taxes in 2013. The next largest property tax payer (AEL&P) paid approximately $200,000 in real property taxes that year. Juneau’s mines also pay substantial business personal property taxes. Including real property taxes and taxes paid on equipment, Hecla and Coeur each accounted for a total of $1.6 million in total CBJ taxes in 2013.

Seafood Industry

- Juneau is home to approximately 700 active commercial fishermen (including active permit holders and crew) and 300 commercial fishing boats. In 2013, 394 Juneau residents held 667 limited entry commercial fishing permits. This includes 275 local permit holders who actually fished 417 permits in 2013. A total of 438 Juneau residents purchased a crew license in 2012 (2013 figures are not yet available).
• Over the past ten years the number of active permit holders living in Juneau has declined, from 295 in 2004 to 275 in 2013.

• Juneau commercial fishermen earned $24.7 million in total ex-vessel value (gross income) in 2013 from a total harvest of 17 million pounds of fish. Salmon harvests generated $15.6 million in gross earnings for Juneau fishermen, 63 percent of total commercial fishing ex-vessel income. Halibut was the next most important in terms of gross income at $3.96 million, 16 percent of the total. Sablefish (black cod) accounted for $2.5 million, 10 percent of total gross earnings.

• The current value of permits and quota shares owned by Juneau fishermen is approximately $72 million.

• Juneau is home to five shore-based seafood processors. These processors employed 389 workers during the peak of the 2013 processing season. Wages and salaries totaled $6.1 million in 2013, an increase of over 50 percent from 2010.

• Seafood processing employment in Juneau is at a long-time high, increasing significantly since the mid-2000s, when non-resident workers began filling most of the new jobs. In 2012 a total of 118 Juneau resident workers were employed in seafood processing in Juneau, along with 317 non-residents.

• The value of seafood landed in Juneau topped $50 million in both 2011 and 2012. Juneau processors have processed 15 to 25 million pounds of seafood each year over the past several years.

• Juneau’s share of the state’s Fisheries Business Tax has grown significantly due to the increased volume of seafood processing in Juneau and higher ex-vessel fish prices. In 2013, Juneau’s share was just under $385,000, three times the level of 20 years ago.

Other Industries

In addition to the industries described above, Juneau’s economy includes a diverse mix of other commercial and non-commercial activity. For example:

• Juneau’s education sector (composed mainly of the University of Alaska Southeast and the Juneau School District) accounts for approximately 1,000 jobs, including full and part-time workers. UAS is a source of significant basic sector activity (drawing new money into the local economy), with approximately 275 jobs.

• Juneau’s construction industry employed an annual average of 692 workers in 2013, who earned a total of $44.5 million. Peak season employment totaled over 800 workers.

• The professional and business services sector accounted for 978 Juneau jobs and $52.5 million in wages in 2013. This sector includes engineering, architectural, accounting, law, consulting and other business services firms. It also includes waste management companies.
• Juneau’s manufacturing sector included an annual average of 325 jobs and $12.4 million in annual wages in 2013. This sector is composed primarily of seafood processing, but also includes Alaskan Brewing Company, a notable manufacturing success story in Juneau.

• The financial activities sector accounted for 540 jobs in Juneau in 2013, and $24.8 million in payroll. This sector includes banks and credit unions, insurance companies, and real estate brokerage firms.

• Juneau’s retail sector includes 144 establishments that employed a total of 1,985 workers in 2013. Workers in the retail sector earned a total of $55.9 million in wages.

• While the economic impact of Juneau’s arts industry has not been measured in many years (since 1995 in fact) it is an important source of income for many local residents. A previous McDowell Group study measured the employment impact at 354 full-time, part-time, and temporary jobs in Juneau, with total annual payroll of $5.4 million.

**Business Sales and Tax Base**

The strength and diversity of a community’s tax base is a measure of economic activity and the vitality of the economy. Local tax revenue collected is an important component of the funding that supports city government services and maintenance of public facilities and infrastructure. Local tax revenue typically accounts for about 30 percent of the CBJ General Government operating revenue.

• CBJ took in $44 million in property tax revenue and $42 million in sales tax revenue in FY2013.

• In nominal dollars, Juneau sales and property tax receipts have been rising over the last decade though sales tax took a 10 percent dip in 2009. The average annual growth rate between 2004 and 2013 for sales tax revenue was 3.0 percent and for property tax revenue was 4.3 percent.

• However, sales tax revenue to the CBJ has not been keeping pace with inflation. Real sales tax revenue in 2013 was about 9 percent below the 2007 and 2008 levels, and also slightly below 2011 and 2012.

• Property tax revenue has just been keeping pace with inflation, i.e., no real growth or decline over the past five years. Real property tax revenues during the 2007 through 2012 period were consistently in the $43 million to $44 million range.
In 2013 a total of $2.39 billion in gross sales was reported to the CBJ (for purposes of sales tax collection). After adjusting for inflation, business sales increased at an annual average rate of about 3 percent between 2004 and 2013, though the growth trend was interrupted in 2009 when gross sales dropped by more than $100 million over a 12 month period.

A total of 3,162 businesses reported gross sales in 2012 (the most recent data available showing sales by level). One-third of those businesses (1,064) are small, with annual sales of less than $10,000. At the other end of the spectrum, 40 business reported annual sales of more than $10 million in 2012.

The number of businesses reporting sales in Juneau has changed little over the past ten years, ranging from a low of 3,077 to a high of 3,166.

The effective sales tax rate on gross sales decreased from 2.19 percent in 2004 to 1.75 percent in 2013. If Juneau’s gross sales were taxed at the same effective rate in 2013 as they were in 2004, an extra $10 million in tax receipts would have been generated. The difference between 2004 and 2013 in senior sales tax exemptions was $1.7 million, leaving $8.8 million in taxes not collected in 2013 as a result of other exemptions when compared to 2004. One reason is that the cap of $7,500 on any individual sale ($375 in sales tax) has been fixed at that rate for several years while inflation acts continuously to increase the nominal value of gross sales. Further analysis is needed to identify other reasons for the declining effective sales tax rate.

Juneau’s undeveloped taxable acreage (essentially Juneau’s undeveloped privately owned land) has remained at about 45 percent of the total taxable land base over the past decade. In 2013 there were 5,800 undeveloped acres. Only about one-third of that 5,800 acres is on the road system. Most (65 percent) of the undeveloped land is zoned Rural Reserve, and just over one-quarter (1,648 acres) is zoned for Residential use (of this 180 acres is on Shelter Island).

When all types of residential development are considered together, between 2004 and 2013, the number of parcels with residential development increased by almost 6 percent and the amount of acreage developed for residential purposes increased by just over 4 percent. Between 2004 and 2013, Juneau’s population grew by 6 percent.

The assessed value of all types of development in Juneau increased over the last decade. However, during the 2008 through 2013 period the value of commercial property decreased by 4 percent. Valuation change for residential property was flat to slow with condo valuation stagnant despite some new units built. Residential property and apartments appreciated by 3 percent and 4 percent, respectively. During this same five-year period the assessed value of industrial property increased significantly.
Cost of Living

The cost of living is an important factor in household economic well-being and in business development. Areas with relatively high living costs (relative to other others and relative to local income levels) are at a competitive disadvantage in terms of attracting new residents, new employees, and new business.

- While the cost of living is higher in Juneau than many other communities, median household and family incomes in Juneau are also higher, so cost of living indices tend to overstate the real relative cost of living differential in Juneau.

- An analysis conducted for purposes of this study compared Juneau’s cost of living and median incomes with six Lower 48 communities (Bellingham, Boise, Colorado Springs, Flagstaff, Laramie, and Olympia). The analysis indicates that after equalizing for median income, Juneau’s overall cost of living is less than four of the six communities, while in the unadjusted cost of living data all six were lower than Juneau.

- Regardless of how Juneau compares to other communities “at the median,” high living costs, especially high housing costs, can be particularly burdensome for lower-income individuals and families. Mortgage lenders typically impose a limit of 28 percent of household income allowable for housing payments, including principal, interest, taxes and insurance, or 36 percent total debt-to-income. For renters, according to the U.S. Department of Housing and Urban Development) “Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.”

- A significant segment of Juneau’s population resides in housing situations that could be characterized as unaffordable (or at least outside guidelines for affordability). According to ACS data, 35.4 percent of Juneau home owners with mortgages spend more than 30 percent of their household income on housing (not including utilities or basic maintenance), including 21.6 percent who pay more than 35 percent. Among renters, 42.5 percent pay more than 30 percent of their household income for rent, including 32.4 percent who pay more than 35 percent.

Summary

The Juneau Economic Plan Economic Baseline Report is a working document intended to serve as a repository for data, other information, and economic analysis that supports the formation of Juneau’s 10-year strategic economic development plan. The full report may be revised or updated as warranted during the next phases of the planning process, particularly as economic development priorities are established. This executive summary provides a range of high-level information that is intended to provide a brief snapshot of conditions and trends in the local economy. Readers are encouraged to view the full report to gain a more detailed perspective on local economic conditions.