
The Economic Benefits of Alaska's Construction Industry and 2022 Construction Spending Forecast

FEBRUARY 2022

PREPARED FOR:



CONFIDENTIAL



McKinley Research Group, LLC is a team of respected professionals with 50 years experience providing research, consulting, and advisory services to clients seeking answers to questions and solutions to organizational complexities.

mckinleyresearch.com

CIPF Background



Construction
Industry
Progress Fund



Jointly administered
by labor and
management in 2000



Goal is to improve the
image of the
construction industry

WWW.WEBUILDALASKA.COM

CIPF Supports Alaskans and the Construction Industry



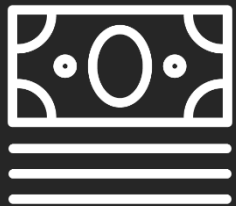
Economic Benefits & Forecast



Researching and Improving
Perceptions



Educating the Public
Television Ads



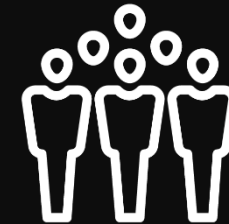
Local Bond Issues



Distributing Information and
Communications
*Social media, AGC pod casts,
media equipment*

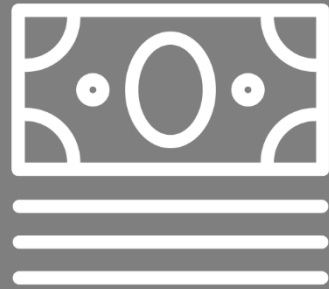


UA Student Chapters



Other Community Efforts

Investing in Impactful Construction Issues



Over \$262,000 invested in ballot measures, professional development opportunities, and advocacy organizations since 2006

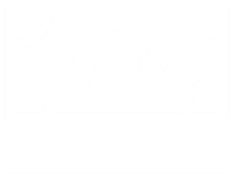


Contributed to 80+ organizations, initiatives, and coalitions since 2006

CIFP Build Alaska Campaign

Exciting New Addition!

WWW.WEBUILDALASKA.COM



About McKinley Research Group

- Formerly McDowell Group
- Research and consulting since 1972
- Offices in Juneau and Anchorage
- Economic Analysis, Community Economic Planning, Business Development, Survey Research and others
- Conducted 100+ economic impact studies including Alaska's:
 - Oil and Gas Industry (AOGA)
 - Mining Industry (AMA/CAP)
 - Seafood Industry (ASMI)
 - Visitor Industry (DCCED/ATIA)
 - And many more....

Our Assignment

1

**Economic
Impact of
Alaska's
Construction
Industry**

2

**Forces
Affecting
Construction
Activity**

3

**Forecast
2022
Construction
Spending**

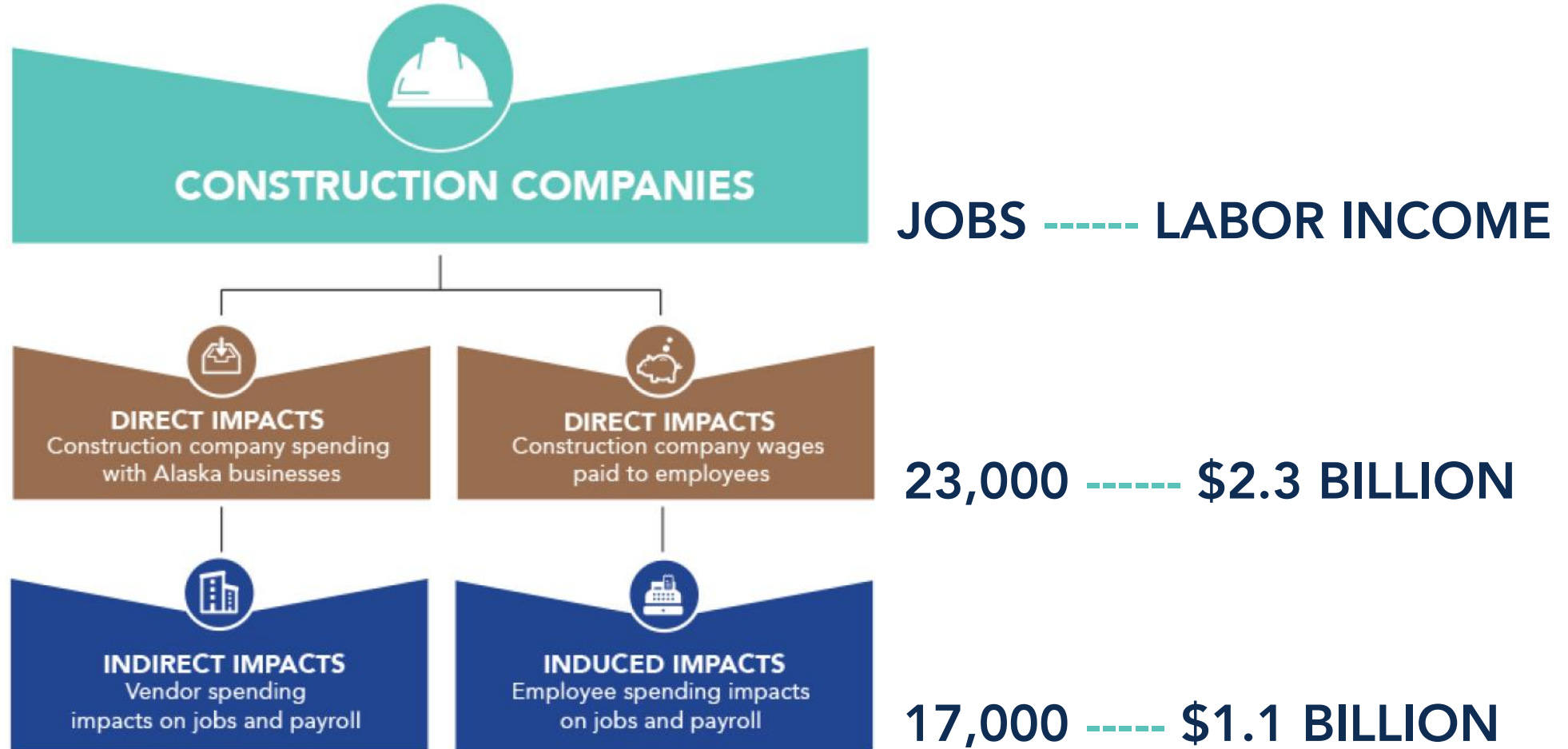
Our Methodology

- Compiled and analyzed secondary data from published and unpublished sources
- IMPLAN™ (Impact Analysis for PLANning) input-output modeling and refinements
- Interviews with an array of construction industry leaders
- Survey of 150+ organizations/businesses on expected construction spending

ALASKA'S CONSTRUCTION INDUSTRY JOBS AND INCOME IMPACTS



How Construction Funds Flow Through Our Economy



In 2020, Alaska's Construction Industry....

Employed Alaskans

- Employed **23,000 workers**, including wage & salary, and self-employed workers
- **82% Alaska Residents** making **86% of Alaska wages**
- **1 in 20 Alaska jobs** (5%) was in construction

Paid Alaskans

- Paid **\$2.3 billion in labor income**, or 7% of all earnings in Alaska

Generated Multiplier Effects

- Total impacts of **40,000 jobs** and **\$3.4 billion** in wages
 - 9% of total employment in Alaska
 - 11% of total labor income in Alaska

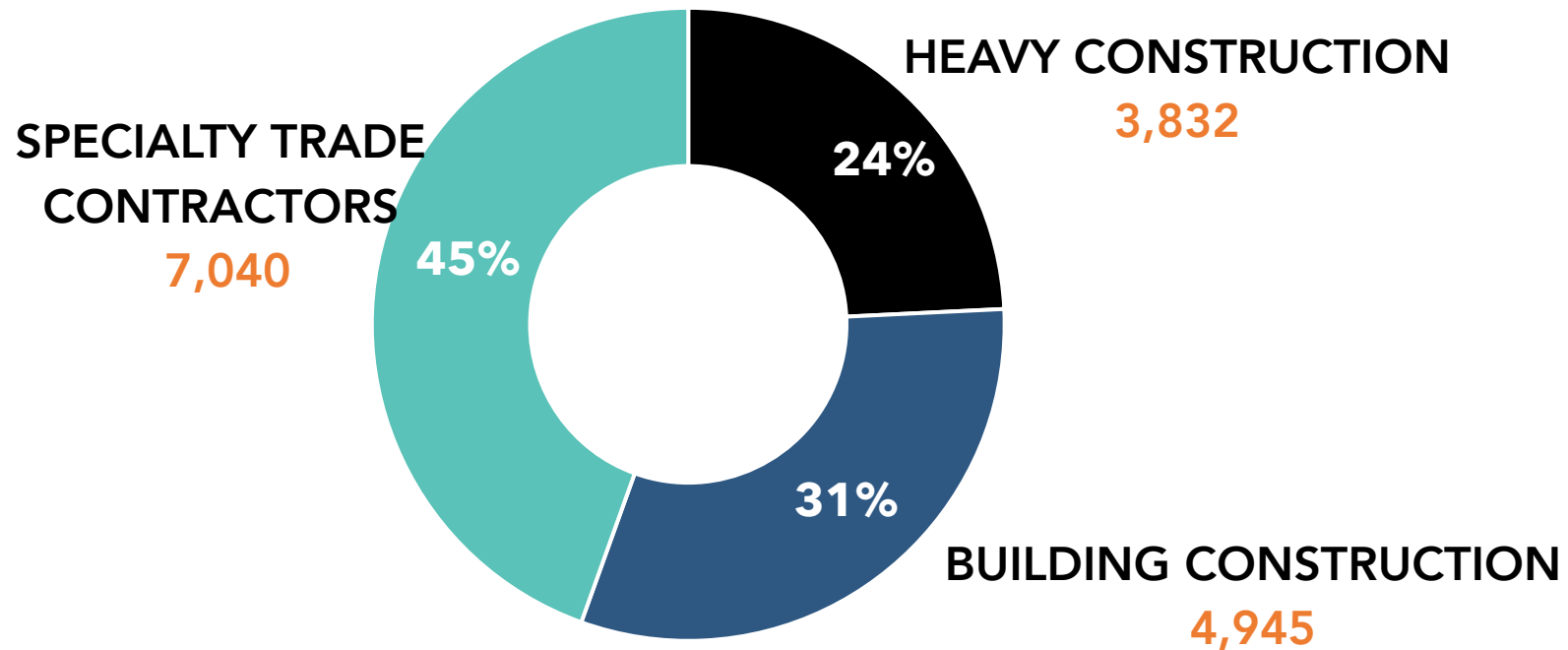
2,540 Construction Industry Employers

ALASKA CONSTRUCTION INDUSTRY EMPLOYERS, JOBS, WAGES, 2020 (BY TOP 10 BOROUGHs)

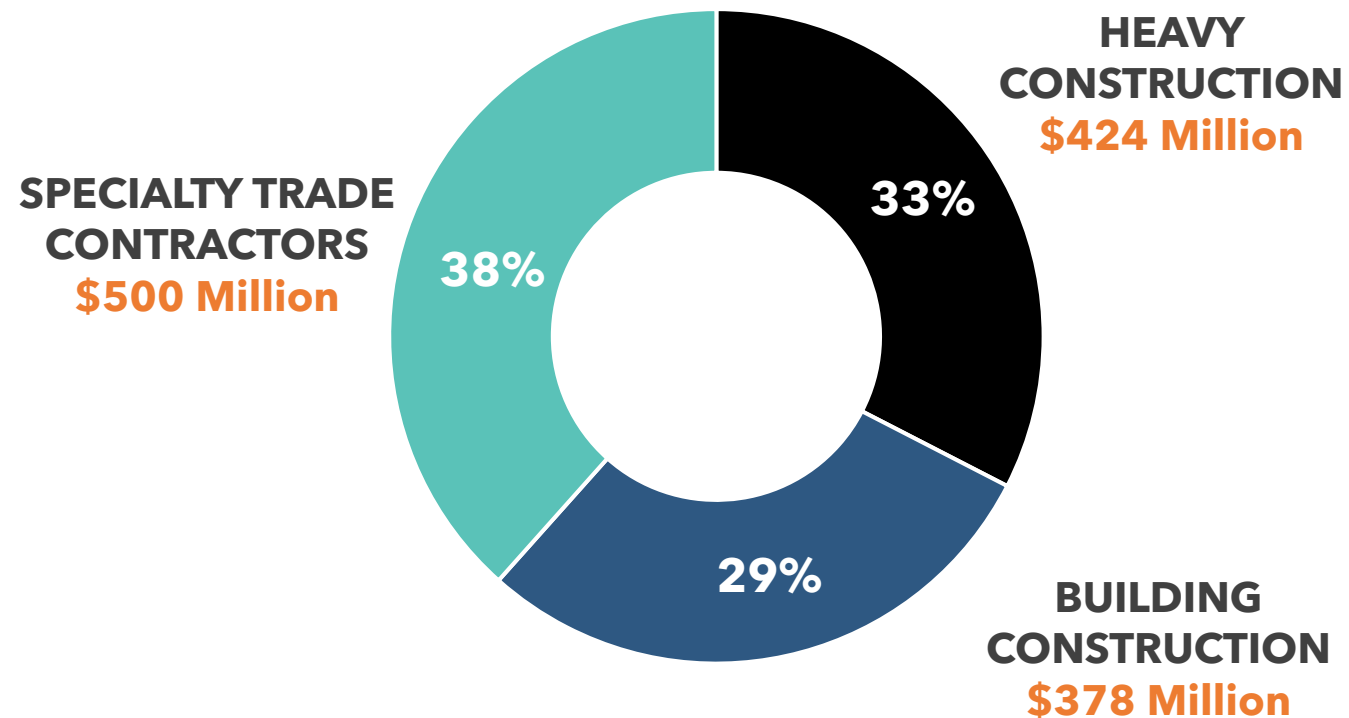
Borough/Census Area	Total number of Employers	Total Jobs (monthly average)	Total Wages (\$million)
Anchorage Municipality	895	7,041	\$593
Fairbanks North Star Borough	333	2,611	\$233
Matanuska-Susitna Borough	483	2,718	\$207
Kenai Peninsula Borough	257	930	\$58
Juneau City and Borough	131	682	\$50
Ketchikan Gateway Borough	64	263	\$18
Kodiak Island Borough	43	167	\$13
Sitka City and Borough	35	137	\$11
Chugach Census Area	26	87	\$7
Southeast Fairbanks Census Area	16	78	\$7
All other Boroughs and Census Areas	257	1,103	\$106
TOTALS	2,540	15,817	\$1,302

Source: Alaska Department of Labor and Workforce Development.

Construction Jobs and Wages, By Type



Construction Jobs and Wages, By Type



Wage & Salary Wages: \$1.3 B
+ Self-Employed Wages: \$1.0 B
Total Wages: \$2.3 B

**Average Annual
Construction Worker Wage:**
\$82,330
**35% above average Alaska
wage (\$60,888)**

Total Economic Impact

- Statewide construction industry-related jobs represent **9%** of all Alaska jobs (**40,000** of 425,953)
- Construction industry-related activity accounted for **\$3.4B** in labor income, **11%** of Alaska's total labor income (\$32.1B)

CONSTRUCTION INDUSTRY-RELATED JOBS AND LABOR INCOME IMPACTS IN ALASKA, 2020

	Jobs	Labor Income
Direct	23,000	\$2.3 BILLION
Indirect & Induced	17,000	\$1.1 BILLION
TOTAL	40,000	\$3.4 BILLION

Source: Direct impacts, U.S. Bureau of Economic Analysis. Indirect and induced impacts, McKinley Research Group estimates.

Expected Occupational Growth

- Accounting for COVID-19 impacts, between 2018 and 2028, construction trades occupational employment **up 8.6%**
- Including new jobs and openings from employees leaving the trades, an expected **1,726** annual openings
- Highest expected openings:
 - Construction laborers (**455** annual openings)
 - Operating engineers and other construction equipment operators (**346**)
 - Carpenters (**270**)
 - Electricians (**225**)

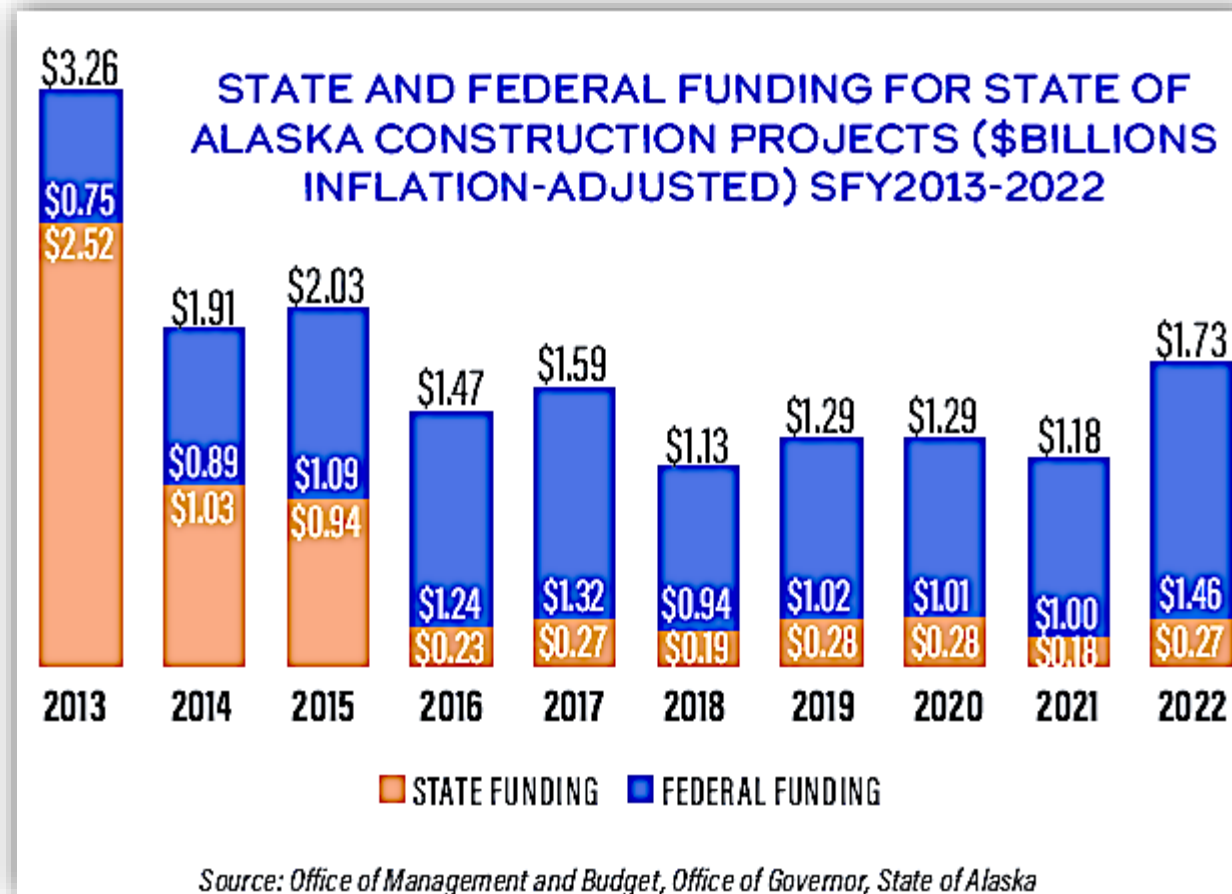
PUBLIC CONSTRUCTION FUNDING



Federal Construction Funding (FFY2021)

-
- **\$1.6 BILLION**
 - **\$1.2 Billion** in Federal Assistance requiring matching from state or local government
 - **\$407 Million** in Federal Contracts requiring no state government matching

State/Federal Funding for State of Alaska Construction Projects



PRICE AND ACTIVITY IMPACTS



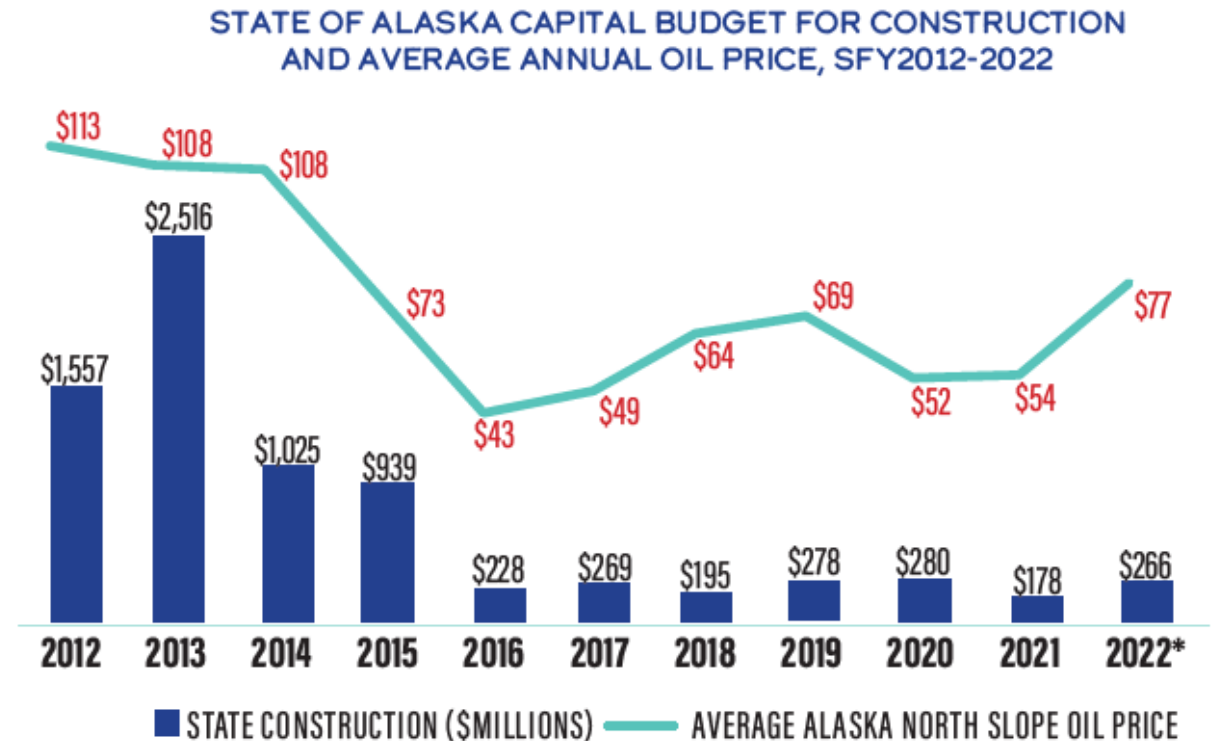
Supply Chain and Demand Impacts

- By fall 2021, average construction costs up **24%** from 2019
- Manufacturing slowdowns, global transportation bottlenecks are contributing factors

 **24%**

Oil Price Impacts

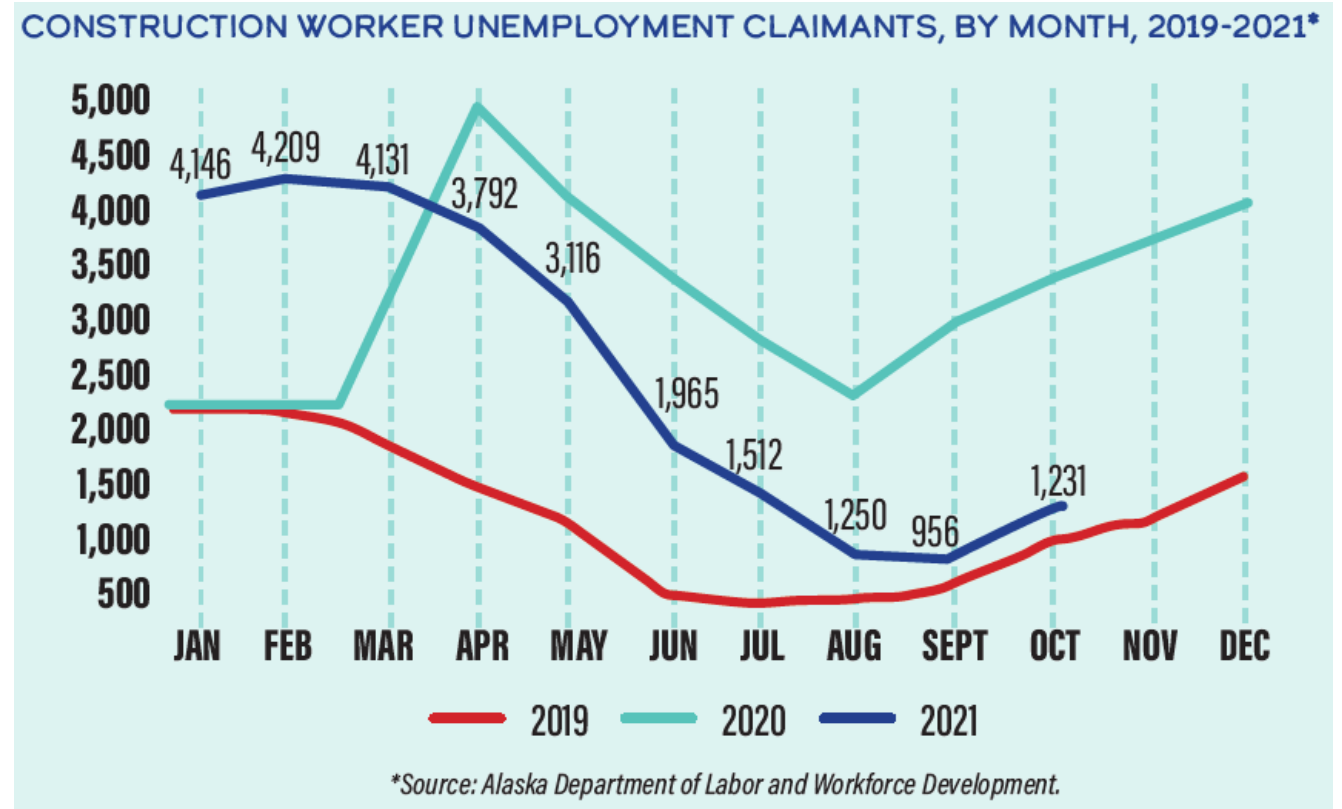
- Oil prices volatility continued in 2021
- Higher prices...
 - Can positively impact financial feasibility
 - Increase taxable value of production
 - Increase fuel prices



**SFY2022 average annual oil price based on Alaska North Slope price between July 2021 and December 2021. Source: Office of Management and Budget, Office of the Governor, State of Alaska; Alaska Department of Revenue, Tax Division.*

Pandemic Job Recovery

- **Unemployment insurance claimants declined substantially but remained above pre-pandemic levels**
- **AK DOL projects construction employment will fully return to pre-pandemic levels in 2022**



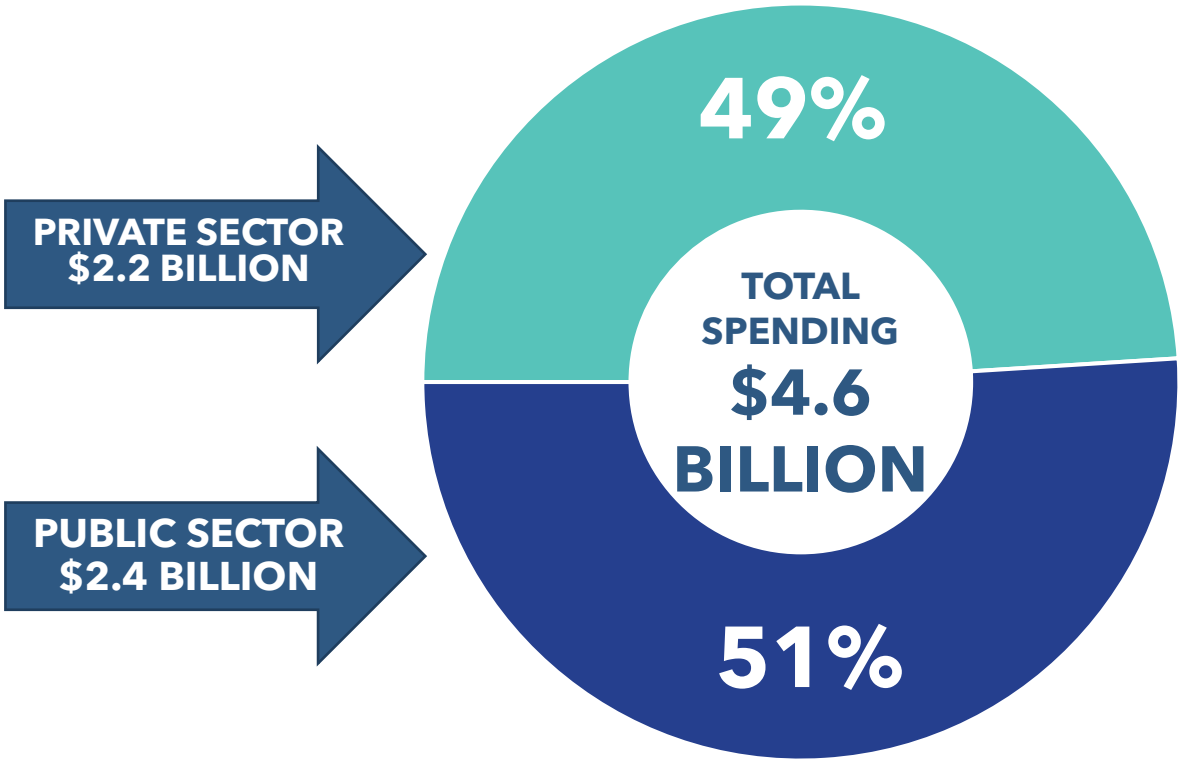
2022 CONSTRUCTION SPENDING FORECAST



Overall Forecast

2022 ALASKA CONSTRUCTION SPENDING FORECAST SUMMARY (\$ MILLION)

Category	Total Spending	% of Total Spending
Private Construction Spending	\$2,240	49%
Oil and Gas	\$675	15%
Mining	\$185	4%
Other Basic Industry	\$80	2%
Utilities	\$400	9%
Hospitals/Health Care	\$300	7%
Other Commercial	\$200	4%
Residential	\$400	9%
Public Construction Spending	\$2,350	51%
National Defense	\$675	15%
Highways and Roads	\$475	10%
Airports, Ports, and Harbors	\$480	10%
Education	\$230	5%
Other Federal Government	\$225	5%
Other State and Local Government	\$265	6%
TOTAL	\$4,590	100%



PRIVATE SECTOR OUTLOOK



PETROLEUM
\$675 MILLION



- Oil price volatility
- ConocoPhillips and Hilcorp will maintain and update North Slope and Cook Inlet infrastructure
- Willow project delayed

MINING
\$185 MILLION



- All six large mines plan construction and upgrades
- Manh Choh construction expected late 2022

UTILITIES
\$400 MILLION



- Variety of power, telecom and utility construction
- Subsea cable expansion to Aleutians

OTHER BASIC
\$80 MILLION



- Optimism for 2022 visitor season
- Cruise investment in Juneau, Whittier, & Hoonah
- Routine maintenance at seafood processing plants

**HOSPITALS &
HEALTHCARE
\$300 MILLION**

- Continued work on Girdwood and Seward clinics
- SEARHC hospital replacement in Sitka, expansion of Bartlett and Chief Andrew Isaac facilities

**OTHER INDUSTRIAL/
COMMERCIAL
\$200 MILLION**

- Businesses continue to invest despite high material costs
- Air cargo and logistics projects expected to begin at ANC

**RESIDENTIAL
\$400 MILLION**

- High material prices dampen effect of low interest rates
- Continued Fbx demand related to F-35 bed-down
- Mat-Su continues to expand at higher rate to other regions

PUBLIC SECTOR OUTLOOK



**NATIONAL
DEFENSE
\$675 MILLION**



- **USACE will continue focusing on base modernization and maintenance**
- **Runway expansion at JBER and quality of life upgrades at Fort Wainwright**
- **Infrastructure Bill focus on USCG facilities**

**AIRPORTS, PORTS,
HARBORS, RAIL
\$480 MILLION**



- **Taxiway and terminal upgrades in Anchorage, Fairbanks, Juneau, and other airfields**
- **Harbor and port maintenance in Anchorage, Ketchikan, Haines, and Cordova**

**HIGHWAYS &
ROADS
\$475 MILLION**



- **Both ongoing and new projects on major highways**
- **Infrastructure bill includes \$3.5 Billion dedicated to highways, bridges and transportation access**

EDUCATION
\$230 MILLION



- Spending on previously approved projects for schools in Fairbanks, Napakiak, Hollis, Houston, and others

**OTHER
FEDERAL**
\$225 MILLION



- Various projects including Denali bridge project, water and sewage systems, and home construction
- Surge of funding expected for water/wastewater, energy projects, and others

**OTHER STATE/
LOCAL**
\$265 MILLION



- Variety of 2022 projects including solid waste transfer, bulk fuel storage, water treatment, and community development

IN SUMMARY



Key Takeaways

1

23,000 Alaska construction workers earning **\$2.3 Billion**
(of which 82% AK residents hired and 86% AK resident wages paid)

2

Total Economic Impact: 40,000 construction related jobs paying **\$3.4 B** across the state (11% of Alaska earnings)

3

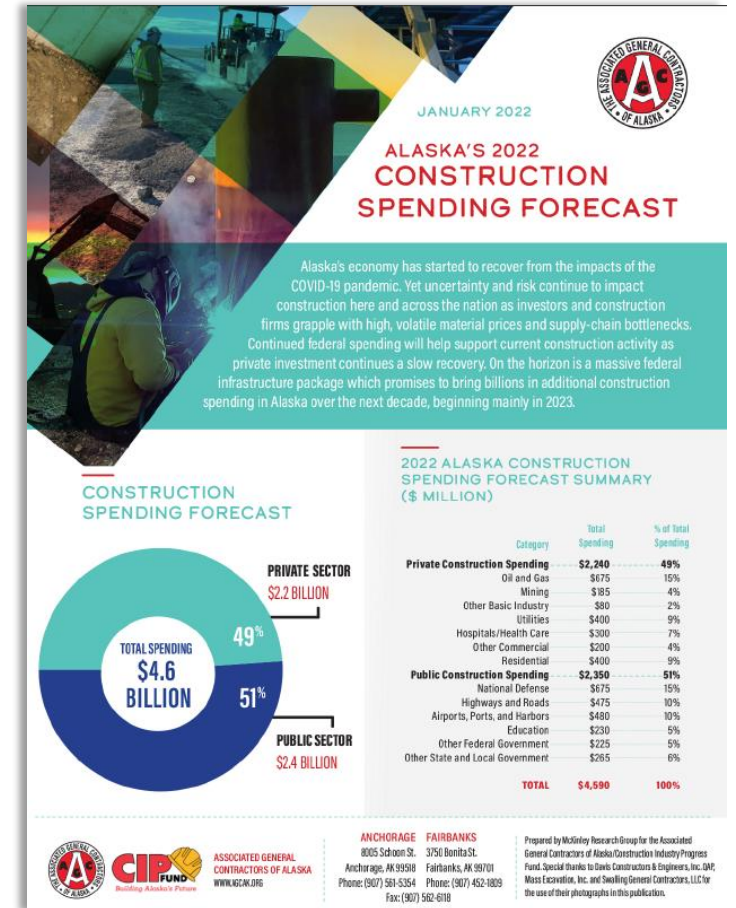
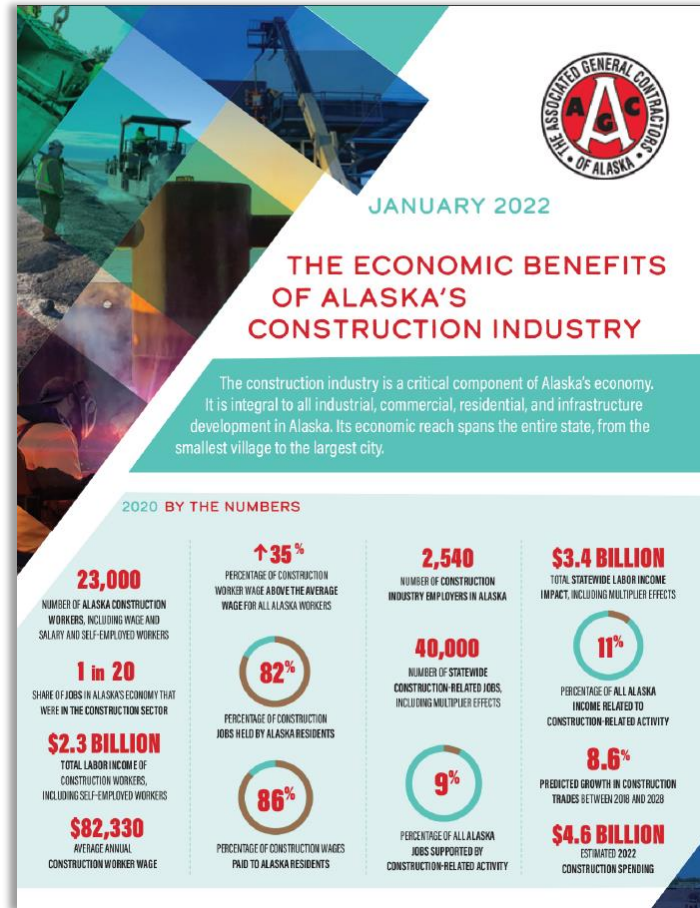
Material prices, supply chains, and workforce availability have significantly impacted Alaska's construction activity

4

\$4.6 B in spending in 2022, up from 2021 projection
\$5 B on the horizon

WANT TO KNOW MORE?

Download the
Economic Benefit
Report and
Construction
Spending Forecast:
www.agcak.org



THANK YOU!



Jim Fergusson

(907) 561-5354

jafergusson@msn.com



Alicia Siira

(907) 561-5354

Alicia@agcak.org



Formerly McDowell Group

Donna Logan

(907) 531-5763

dlogan@mckinleyresearch.com

Katie Berry

(907) 339-1460

kberry@mckinleyresearch.com



McKinley Research Group, LLC is a team of respected professionals with 50 years experience providing research, consulting, and advisory services to clients seeking answers to questions and solutions to organizational complexities.

McKINLEY RESEARCH GROUP, LLC

3800 Centerpoint Drive, Suite 1100 | Anchorage, AK 99503 | (907) 274-3200

801 W. 10th Street, Suite 100B | Juneau, AK 99801 | (907) 586-6126

info@mckinleyresearch.com | mckinleyresearch.com