
The Economic Benefits of Alaska's Construction Industry and 2023 Construction Spending Forecast

Fairbanks Forecast Breakfast

February 2023

PREPARED FOR:



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

CIPF Supports Alaskans and the Construction Industry



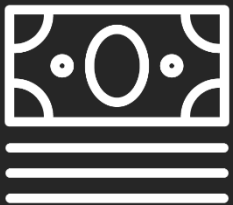
Economic Benefits & Forecast



Researching and Improving
Perceptions



Educating the Public
Advertisements



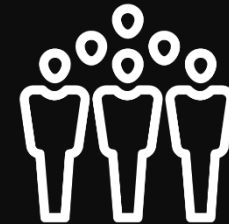
Local Bond Issues



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



McKinley Research Group

- Research and consulting since 1972
- Offices in Juneau and Anchorage
- Economic Analysis, Community Economic Planning, Business Development, Survey Research and more
- 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
- 4th year of construction analysis and forecast



Our Assignment

1

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

2

**Public
Construction
Funding**

3

**Forecast
2023
Construction
Spending**

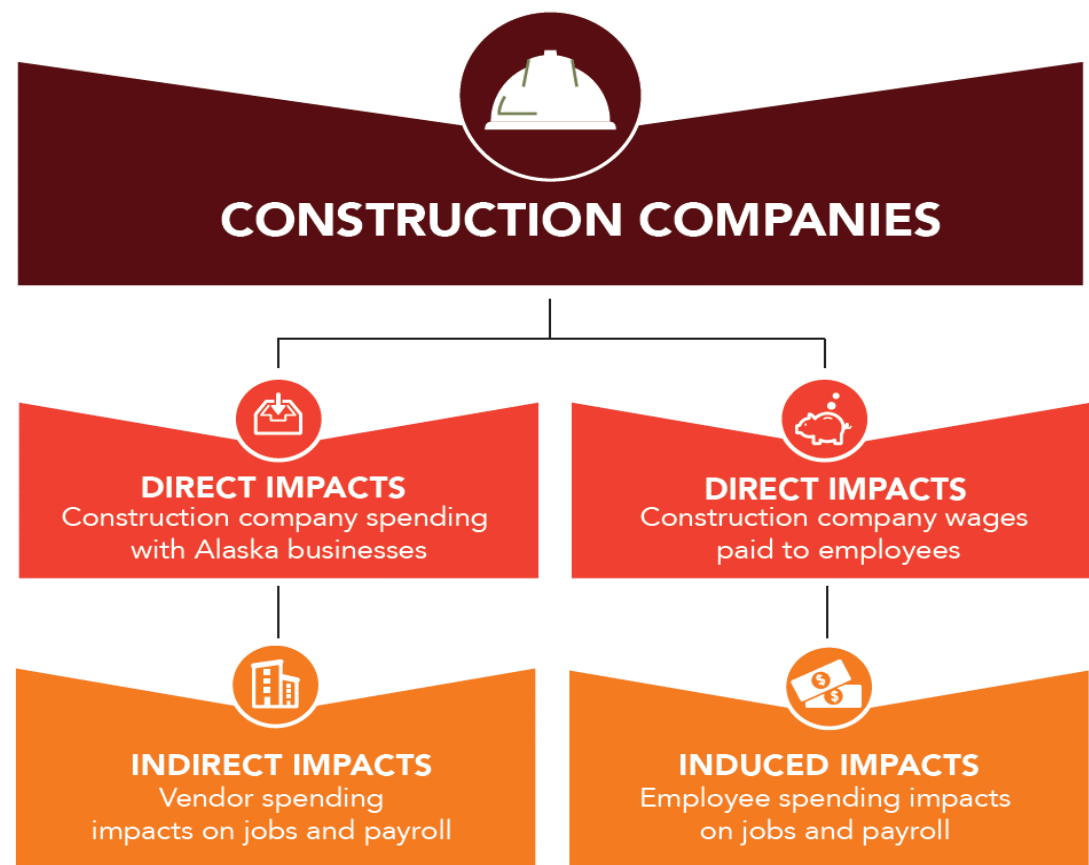
Our Methodology

- Compiled and analyzed secondary data from published and unpublished sources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



JOBS ----- LABOR INCOME

23,700 ----- \$2.3 BILLION

15,700 ----- \$1.0 BILLION

In 2021, Alaska's Construction Industry....

Employed Alaskans

- Employed **23,700 workers**, including wage & salary, and self-employed workers
- **82% Alaska Residents** making **87% of Alaska wages**
- **1 in 20 Alaska jobs** (5%) were in construction

Paid Alaskans

- Paid **\$2.3 billion in labor income**, or 5% of all Alaska earnings

Generated Multiplier Effects

- Total impacts of **39,400 jobs** and **\$3.3 billion** in wages
 - 9% of total employment in Alaska
 - 10% of total labor income in Alaska

2,588 Construction Industry Employers

Alaska Construction Industry employers,
Jobs, and Wages, 2021 (by top 10 Boroughs)

Borough/Census Area	Total number of Employers	Total Jobs (monthly avg)	Total Wages (\$million)
Anchorage Municipality	927	7,228	\$609
Matanuska-Susitna Borough	485	2,823	\$218
Fairbanks North Star Borough	333	2,477	\$221
Kenai Peninsula Borough	268	963	\$59
Juneau City and Borough	140	713	\$51
Ketchikan Gateway Borough	65	285	\$21
Kodiak Island Borough	39	169	\$13
Sitka City and Borough	39	163	\$13
Haines Borough	19	97	\$6
Chugach Census Area	23	84	\$7
All other Boroughs and Census Areas	250	903	\$80
TOTALS	2,588	15,905	\$1,298

Source: Alaska Department of Labor and Workforce Development.

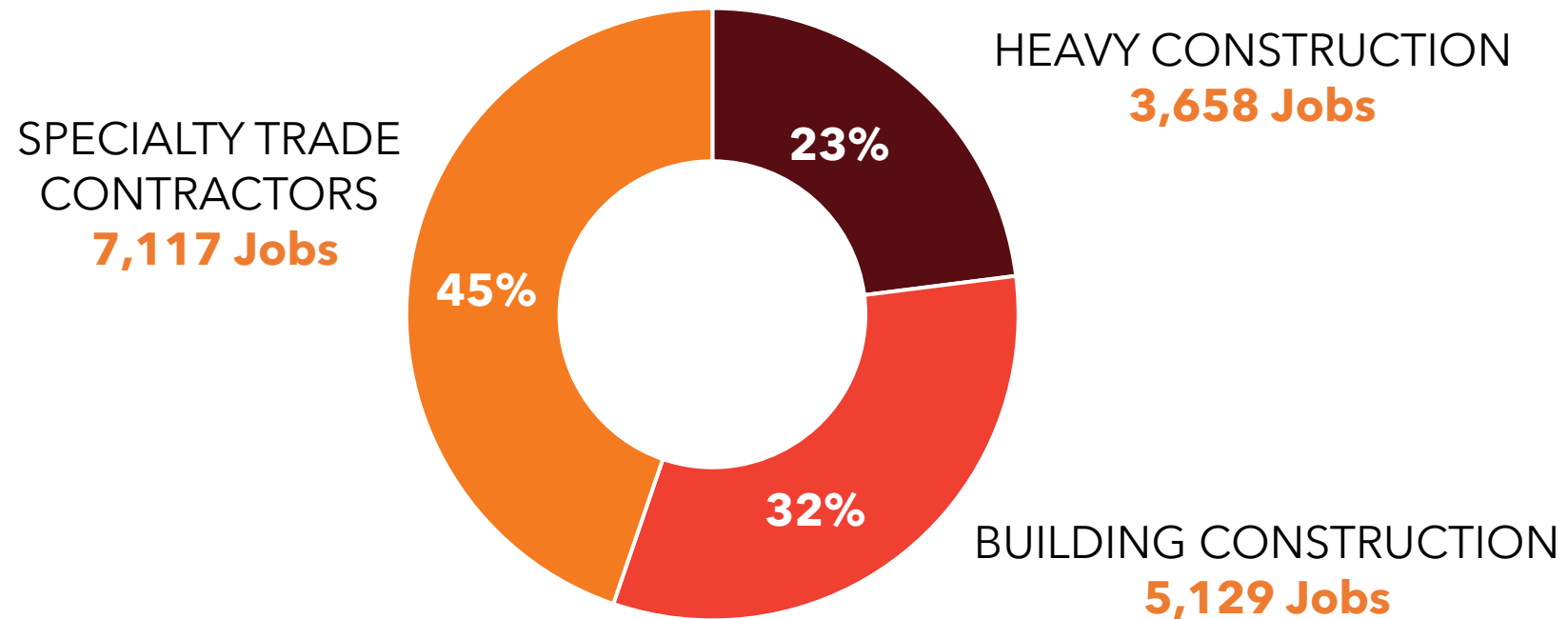
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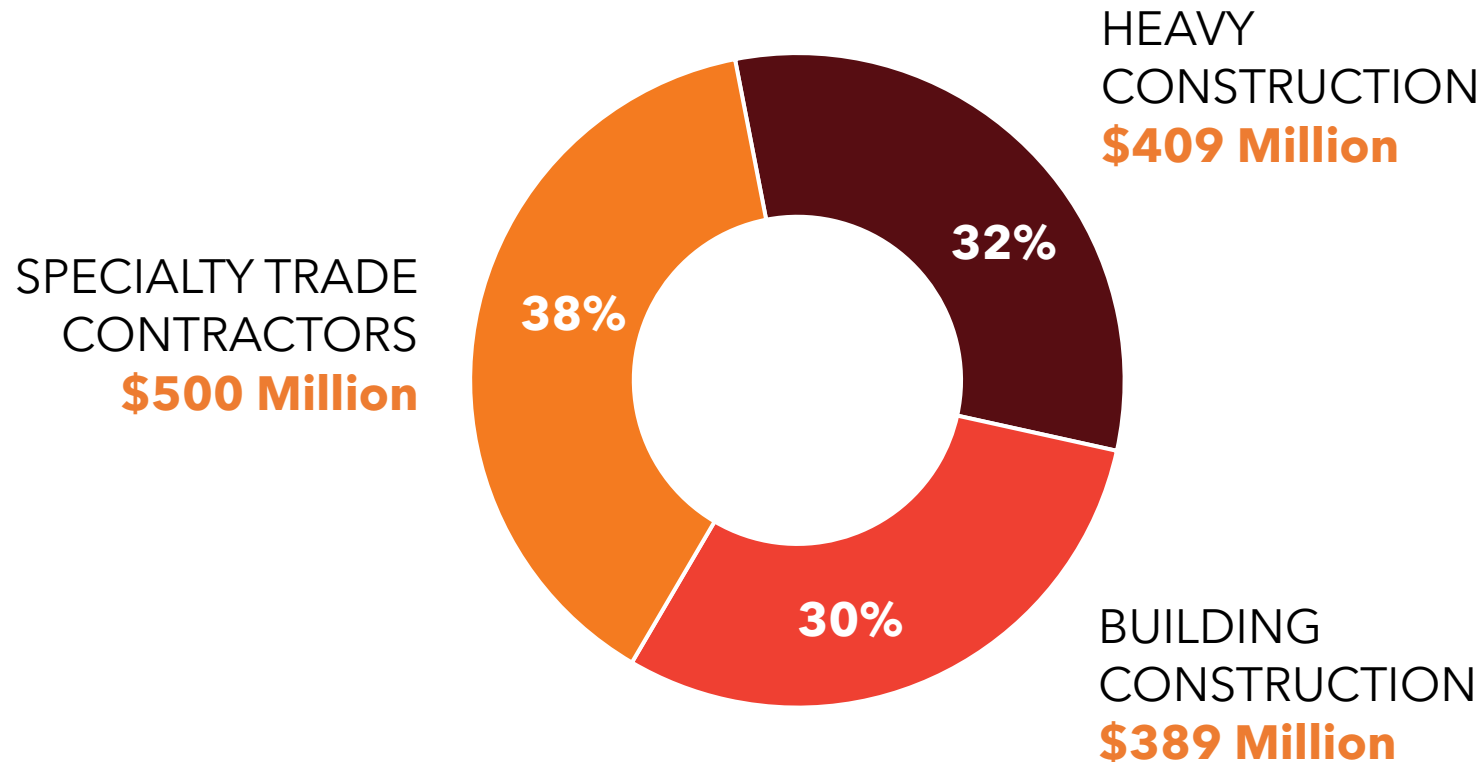
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Source: Alaska Department of Labor and Workforce Development.

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: **\$81,600**

31% above Alaska
average wage
(\$62,100)

Total Economic Impact

- Statewide construction industry-related jobs represent **9%** of all Alaska jobs (**39,400** of 441,257)
- Construction industry-related activity accounted for **\$3.3B** in labor income, **10%** of Alaska's total labor income (\$33.3B)

Construction Industry-Related Jobs and Labor Income Impacts in Alaska, 2021

	Jobs	Labor Income
Direct	23,700	\$2.3 BILLION
Indirect & Induced	15,700	\$1.0 BILLION
TOTAL	39,400	\$3.3 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 2020 and 2030, construction trades occupational employment **up 9.8%**
- Including new jobs and openings from employees leaving the trades, an expected **1,523** annual openings
- Highest expected openings:
 - Construction laborers (**396** annual openings)
 - Operating engineers and other construction equipment operators (**323**)
 - Carpenters (**228**)
 - Electricians (**202**)

PUBLIC CONSTRUCTION FUNDING



Federal Construction Funding, Federal Fiscal Year 2022

\$1.7B Total federal construction funding

\$1.3B

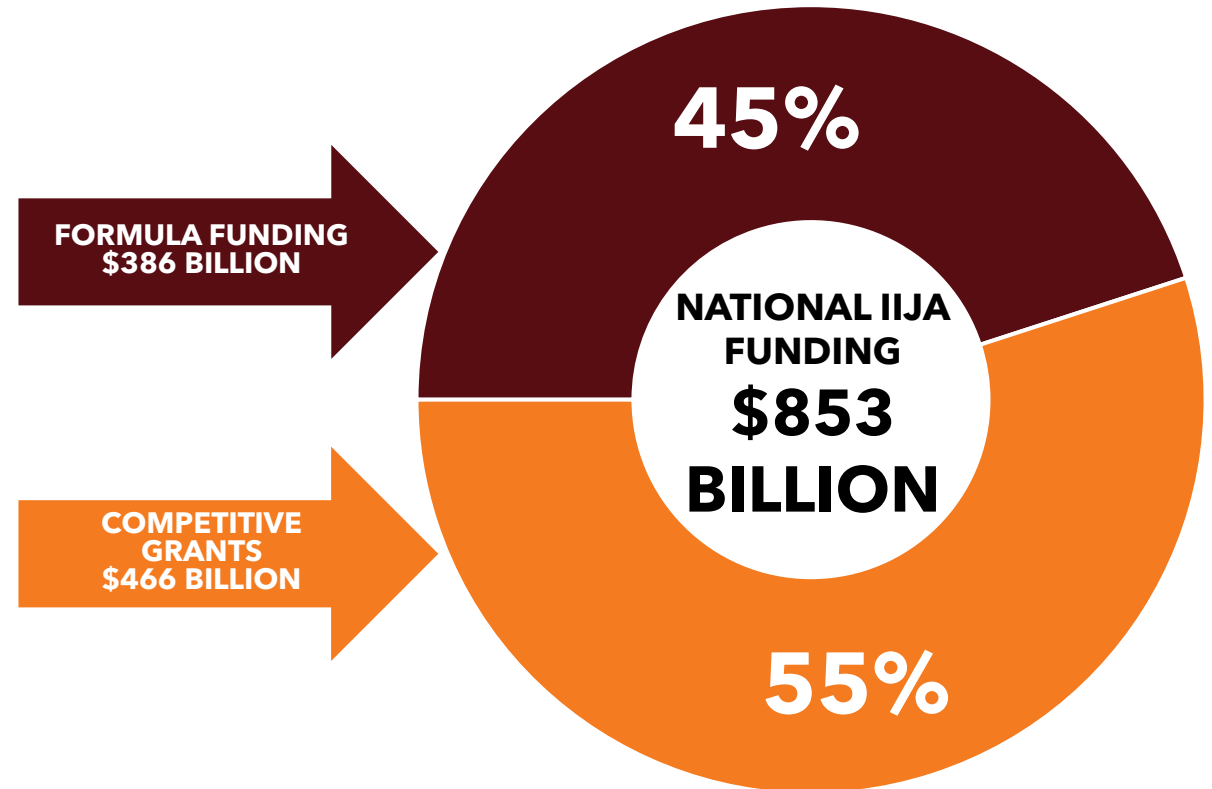
Federal assistance
requiring matching from
state or local government

\$382M

Federal contracts requiring
no state or local
government matching

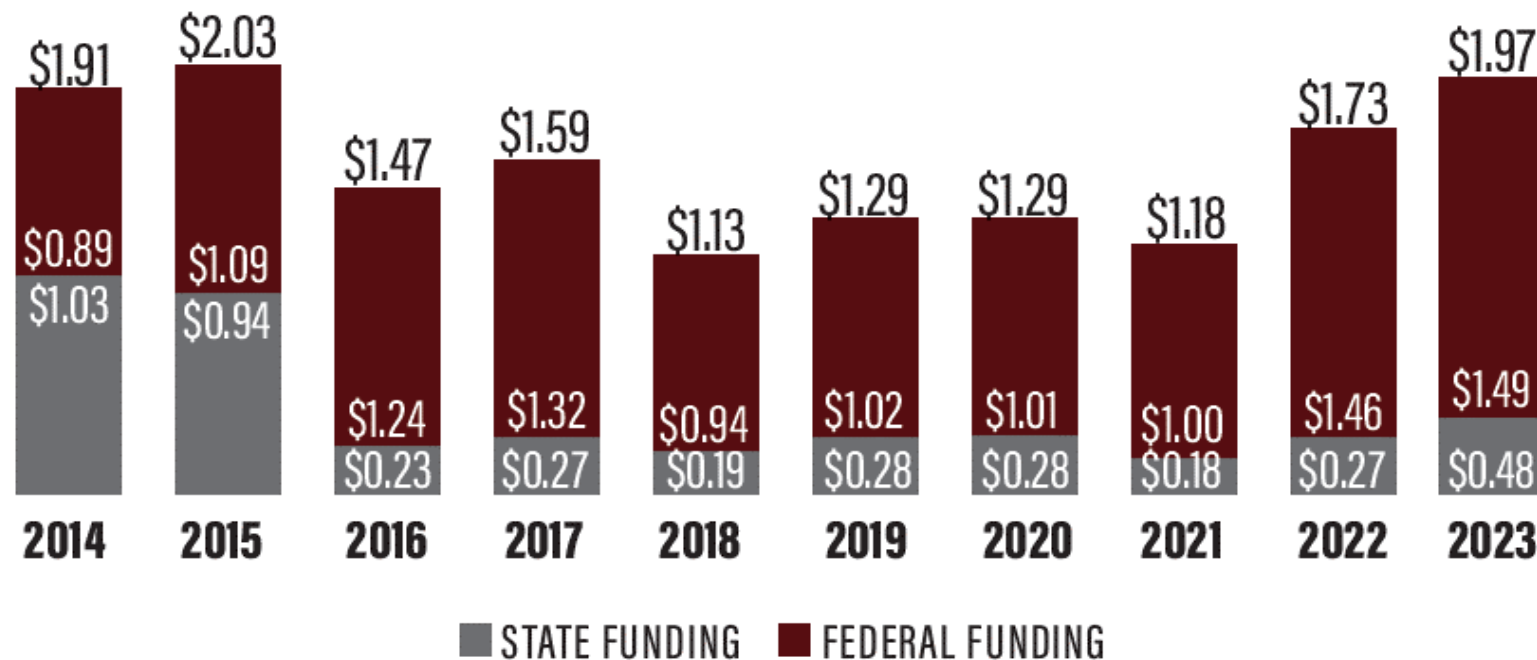
Federal Infrastructure Funding

- **\$853 billion** authorized nationally
 - **\$386B (45%)** in formula funding, provided primarily to states
 - **\$466B (55%)** in competitive grants, direct federal contracts, and other funding streams
- **\$3.1 billion** estimated Alaska formula funding



State/Federal Funding for State of Alaska Construction Projects

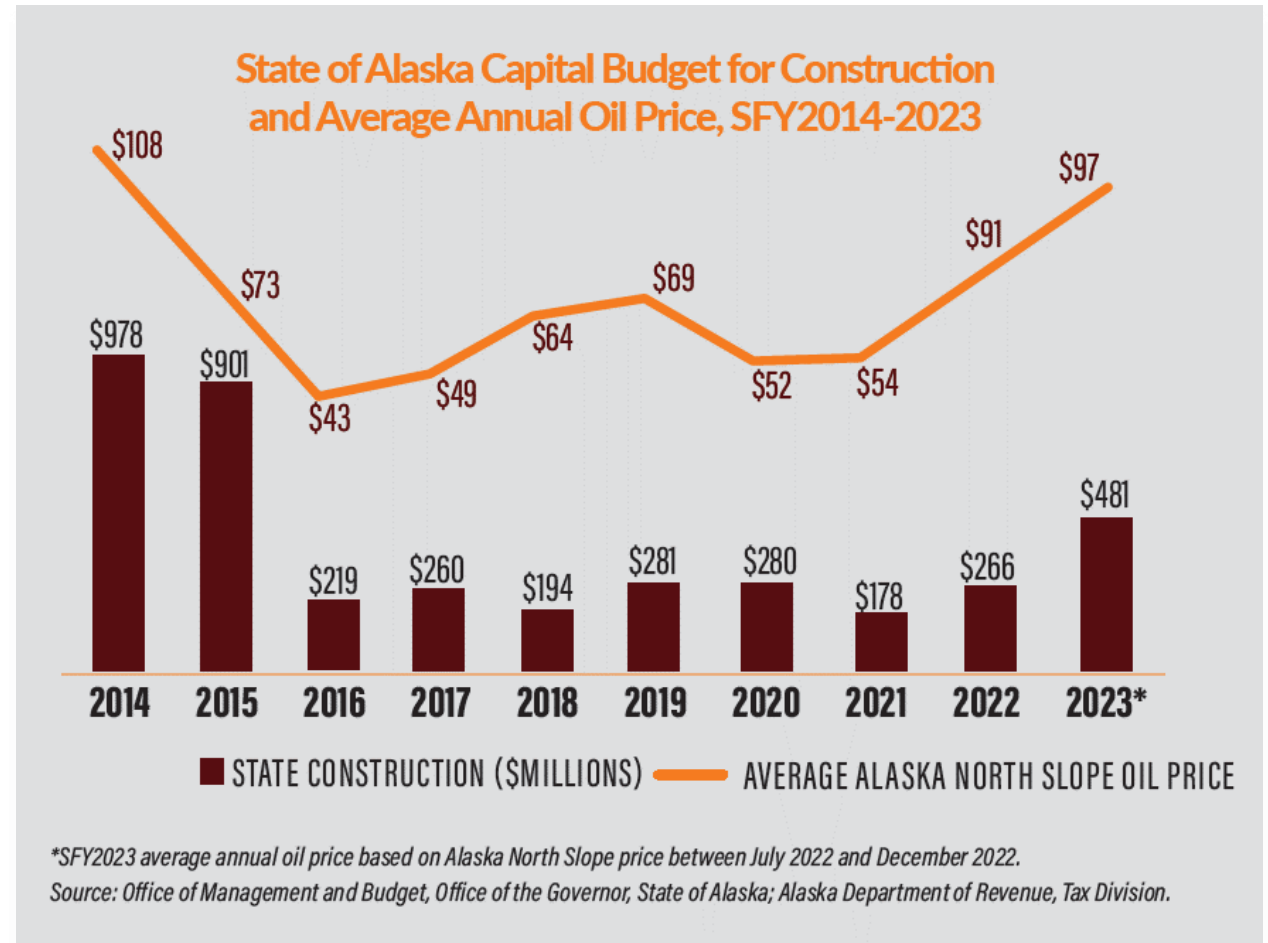
State and Federal Funding For State of Alaska Construction Projects, (\$Billions), SFY2014-2023



Source: Office of Management and Budget, Office of Governor, State of Alaska

Oil Price Impacts

- Oil prices climbed above \$100 per barrel in the first half of the year, for the first time in nearly a decade
- Higher prices...
 - Can positively impact financial feasibility
 - Increase taxable value of production
 - Increase fuel prices



2023 CONSTRUCTION SPENDING FORECAST



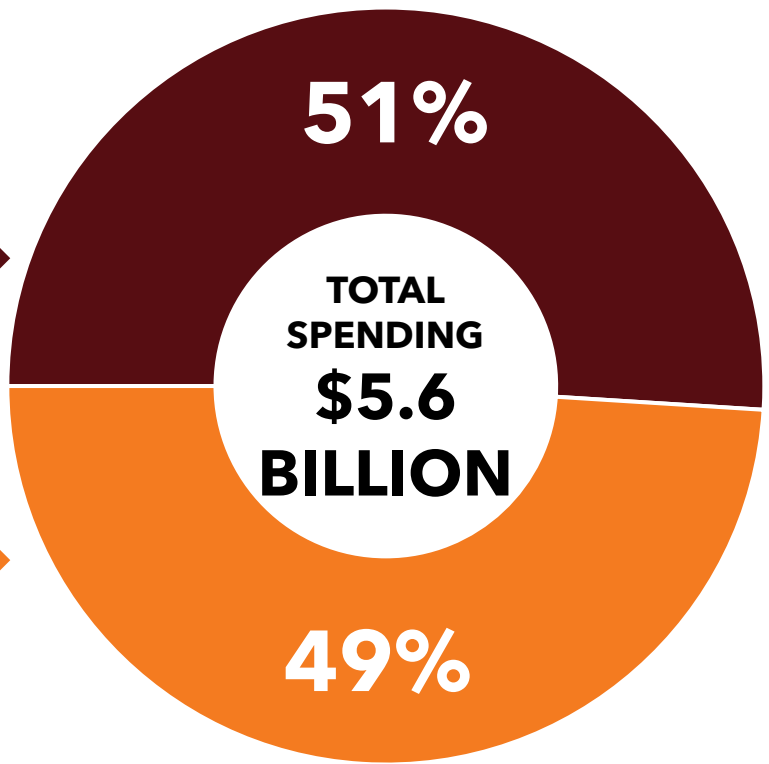
Overall Forecast

2023 Alaska Construction Spending Forecast Summary (\$ Million)

Category	Total Spending	% of Total Spending
Private Construction Spending	\$2,830	51%
Oil and Gas	\$730	13%
Utilities	\$600	11%
Residential	\$450	8%
Hospitals/Health Care	\$290	5%
Mining	\$225	4%
Other Basic Industry	\$145	3%
Other Commercial	\$390	7%
Public Construction Spending	\$2,720	49%
Highways and Roads	\$700	13%
National Defense	\$600	11%
Airports, Ports, and Harbors	\$510	9%
Education	\$315	6%
Other State and Local Government	\$370	6%
Other Federal Government	\$225	4%
TOTAL	\$5,550	100%

PRIVATE SECTOR
\$2.8 BILLION

PUBLIC SECTOR
\$2.7 BILLION



PRIVATE SECTOR OUTLOOK



PETROLEUM \$730 MILLION



- Highest oil prices in nearly a decade
- Santos's Pikka project will continue development in 2023 and beyond
- ConocoPhillips plans to begin road and gravel infrastructure at Willow, contingent on BLM decision

UTILITIES \$600 MILLION



- IJA-funded power, telecom, and utility construction throughout the state
- ANTHC will construct \$150 million in water & sewer infrastructure
- GCI continues work on subsea fiberoptic cable, and plans to connect Sand Point and King Cove in 2023

RESIDENTIAL \$450 MILLION



- Rapid mortgage rate increases, and high material prices reduce residential construction demand
- High material prices will drive an increase in total residential construction values
- Mat-Su continues to expand at higher rate than other regions

HOSPITALS & HEALTHCARE \$290 MILLION



- ANTHC Emergency Services expansion in Anchorage
- SEARHC Mt. Edgecumbe hospital in Sitka
- Assisted living facilities/senior center development across the state, including Valdez, Anchorage, and Fairbanks

MINING \$225 MILLION



- All six large mines plan construction and upgrades
- Manh Choh access road construction and site preparation completed by late 2023
- Ambler Access Project decision from BLM by the end of 2023

OTHER BASIC INDUSTRY \$145 MILLION



- Optimism for continued growth in visitor industry
- Significant cruise dock investment in Juneau, Whittier, & Klawock
- Routine maintenance at seafood processing plants

OTHER INDUSTRIAL/ COMMERCIAL \$390 MILLION



- High material costs, interest rates weigh on investment
- Investments in remodeling existing industrial or commercial space
- Retail store expansions: Three Bears, Alaska Commercial Company

PUBLIC SECTOR OUTLOOK



HIGHWAYS & ROADS \$700 MILLION



- Ongoing and new projects on major highways
- Infrastructure bill includes \$320 Billion dedicated to highways, bridges and transportation access
 - \$700 million in formula funding for Alaska

AIRPORTS, PORTS, HARBORS, RAIL \$510 MILLION



- IIJA authorized significant additional funding to support airport infrastructure development
- Taxiway and terminal upgrades in Anchorage, Fairbanks, Ketchikan, and other airfields
- Port of Nome expansion will begin in 2023
- Alaska Railroad Seward passenger dock and terminal replacement

NATIONAL DEFENSE \$600 MILLION



- USACE continued modernization and maintenance focus
- Utqiagvik Coastal Erosion, dormitory construction at Clear Space Force Station, and JBER Runway Extension
- Construction will continue at Kodiak Coast Guard Base

**EDUCATION
\$315 MILLION**



- Spending on previously approved projects for schools in Napakiak, Newtok, and Mat-Su, among others.
- UAF Rasmuson Library Student Success Center
- UAS Auke Bay Integrated Science Building

**OTHER STATE/
LOCAL
\$370 MILLION**



- Variety of state-funded 2023 projects including AHFC teacher, health, and public safety professionals housing
- Noel Wien Library upgrades in Fairbanks
- Critical secondary water supply project in Sitka

**OTHER
FEDERAL
\$225 MILLION**



- Denali National Park Polychrome Pass project, addressing hazards from the Pretty Rocks landslide
- Regional Housing Authority funding through competitive and formula funding

IN SUMMARY



Key Takeaways

1

23,700 Alaska construction workers earning **\$2.3 Billion** (of which 82% AK residents hired and 87% AK resident wages paid)

2

Total Economic Impact:
39,400 construction related jobs paying **\$3.3 B** across the state (10% of Alaska earnings)

3

Fed. infrastructure funding will:

- Be competitive (**55%** *non-formula*)
- Take years to deploy
- Counteract some inflation pressure

4

\$5.6 B in estimated spending in 2023, up from 2022 projection

9.8% predicted growth in construction jobs between 2020 and 2030

WANT TO KNOW MORE?

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



THANK YOU!



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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.

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