

April 2016

Economic Impact of Alaska's Visitor Industry

2014-15 update



Prepared by:


McDowell
GROUP

Prepared for:

STATE OF ALASKA

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

Economic Impact of

Alaska's Visitor Industry

2014-15 update

April 2016

Prepared for:

STATE OF ALASKA

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

Prepared by:



www.mcdowellgroup.net

Table of Contents

- Key Findings..... 1**
 - Employment..... 1
 - Trends in Economic Impacts 1
 - Visitor Volume and Spending..... 2
 - Visitor Spending by Sector..... 3
 - The Role of the Visitor Industry in the Economy 3
 - Revenues to Municipal and State Governments 4
- Methodology 5**
 - Study Period and Scope..... 5
 - Visitor Volume and Spending..... 5
 - Additional Visitor Industry Spending 5
 - Economic Impact Analysis..... 6
 - Visitor Industry Tax Revenues..... 6
- Additional Economic Impact Data 7**
 - Direct Visitor Industry Spending 7
 - Economic Impacts by Region 8

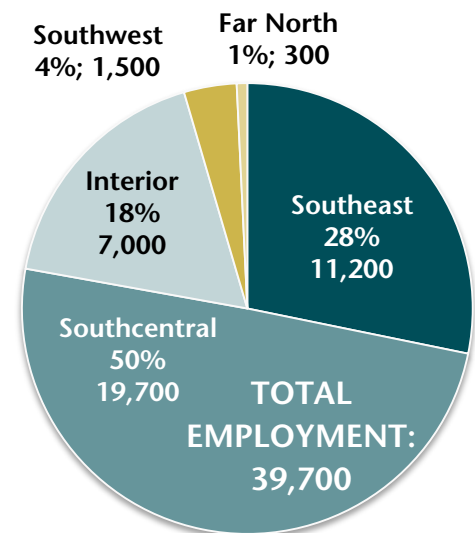
Key Findings

Alaska's visitor industry is a significant economic engine for the state. Spending by visitors creates jobs and income in a wide variety of sectors such as transportation, retail, and lodging. This study measures the economic impact of the state's visitor industry for the 12-month period of October 2014 through September 2015. The report represents the third annual update to a more comprehensive study of impacts for the period of May 2011 through April 2012; the first update covered October 2012 through September 2013. Data for all four time periods is included in this report. Readers are referred to the Methodology chapter as well as the previous report for additional background information. Following are key findings of the updated economic impact analysis.

Employment

Total employment related to Alaska's visitor industry during the 2014-15 study period is estimated at 39,700 full- and part-time jobs, including all direct, indirect, and induced impacts. Peak employment is estimated at 47,000. Distribution of impacts by region is a function of both visitor volume and average spending. For example, while Southcentral and Southeast draw a similar number of visitors, Southcentral visitors tend to spend more in the region, leading to a higher degree of economic impact.

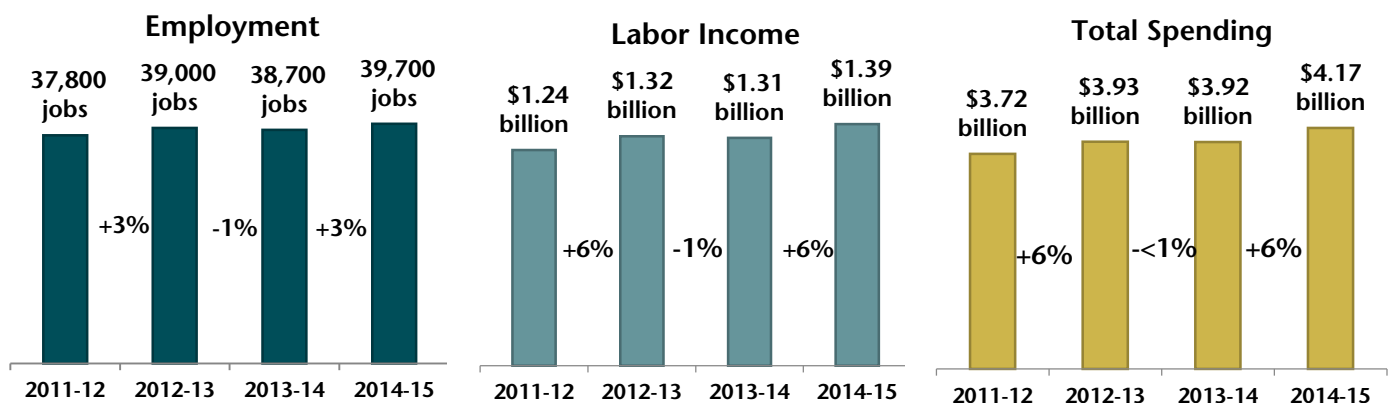
Figure 1. Total Visitor Industry-Related Employment in Alaska, 2014-15



Trends in Economic Impacts

Employment was up by 3 percent in 2014-15 compared to 2013-14, while labor income and total spending were each up by 6 percent. The across-the-board increases are attributable to the strong growth in visitor volume, with record traffic recorded for both the summer (2015) and fall/winter (2014-15) periods. The slightly higher growth rate of labor income (up 6 percent) compared to employment is partially attributable to adjustments for inflation.

Figure 2. Total Visitor Industry-Related Employment, Labor Income, and Spending in Alaska, 2011-12 through 2014-15



Visitor Volume and Spending

A total of 2,066,800 out-of-state visitors traveled to Alaska between October 2014 and September 2015. Cruise ship passengers accounted for nearly one-half (48 percent) of the annual total, while 47 percent traveled to and from Alaska by air. The remainder (4 percent) traveled to and/or from Alaska by highway and/or ferry. Summer visitors represented 86 percent of the 12-month total.

Visitor volume in 2014-15 increased by 7 percent from the previous study period (2013-14), from 1.93 million to 2.07 million, the second significant increase in three years. Both the summer and fall/winter periods showed strong year-over-year growth, of 7 and 5 percent, respectively. Summer-period gains in 2015 included a 13 percent increase in air visitors over 2014, a 3 percent increase in cruise visitors, and a 14 percent increase in highway/ferry visitors.

Visitors to Alaska spent an estimated \$1.94 billion in the state during the study period. This figure excludes the cost of transportation to and from the state, such as air tickets, cruise or cruise/tour packages, and ferry tickets. (Such spending that accrues to Alaska is accounted for elsewhere in the impact analysis.)

Southcentral accounted for the largest percentage of spending at 45 percent, followed by Southeast at 32 percent, Interior at 17 percent, Southwest at 5 percent, and Far North at 1 percent.

Figure 3. Alaska Visitor Volume Transportation Market, 2014-15

TOTAL VISITORS: 2,066,800

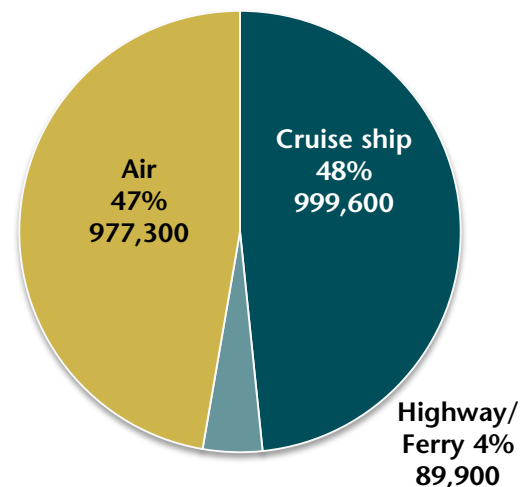


Figure 4. Alaska Visitor Volume, 2011-12 through 2014-15

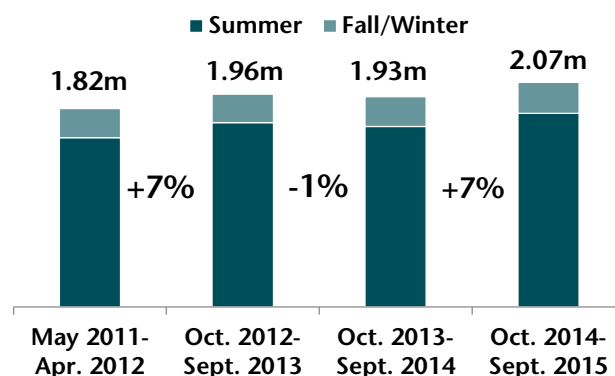
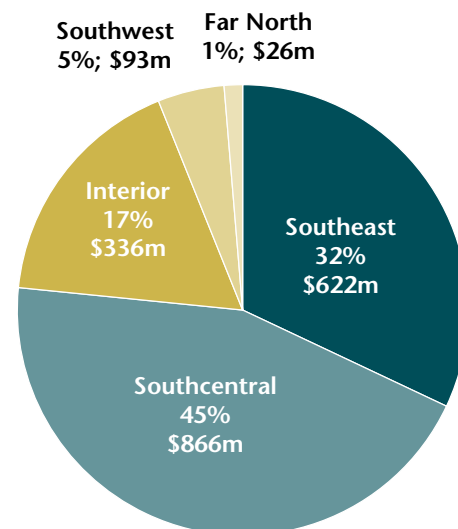


Figure 5. Alaska Visitor Spending by Region, 2014-15

TOTAL SPENDING: \$1.94 BILLION

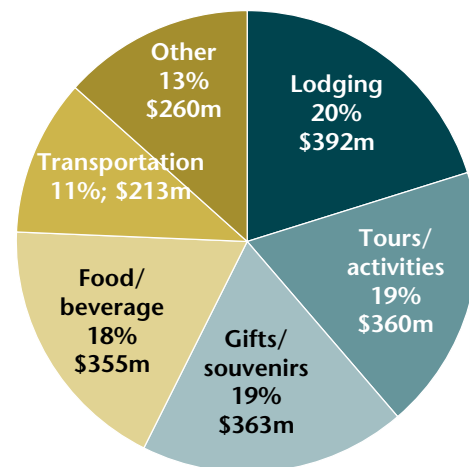


Note: Excludes spending on transportation to enter/exit Alaska, such as cruise and cruise/tour packages, air tickets, and ferry tickets.

Visitor Spending by Sector

Spending by Alaska visitors in 2014-15 was distributed widely throughout the state's economy. Lodging, tours/activities, gifts/souvenirs, and food/beverage each accounted for about one-fifth of spending (18 to 20 percent). The "other" category (primarily overnight packages that include various components) accounted for 13 percent of spending. Transportation, which includes rental cars and fuel, was the smallest category at 11 percent.

Figure 6. Alaska Visitor Spending by Sector, 2014-15



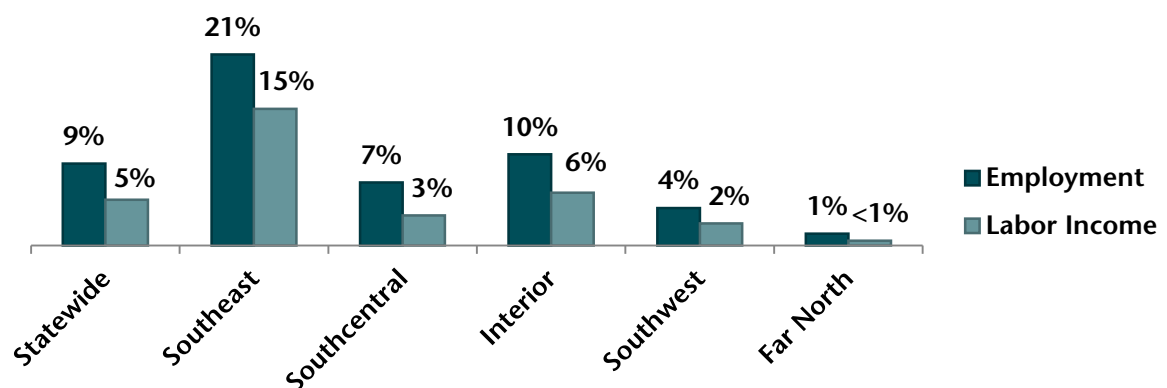
Note: Excludes spending on transportation to enter/exit Alaska, such as cruise and cruise/tour packages, air tickets, and ferry tickets.

The Role of the Visitor Industry in the Economy

Visitor industry-related employment (39,700 jobs) represented 9 percent of statewide employment in 2014-15, and 5 percent of statewide labor income. Employment's proportion is greater than that of labor income due to the seasonal nature of many visitor industry jobs.

The visitor industry plays the most important role in the Southeast region, where it accounts for 21 percent of employment and 15 percent of labor income. In the Interior, the visitor industry accounts for 10 percent of employment and 6 percent of labor income. In Southcentral's much larger economy, the visitor industry accounts for 7 percent of employment and 3 percent of income. It has less importance in Southwest (4 percent of employment and 2 percent of income) and Far North (1 percent of employment and less than 1 percent of income).

Figure 7. Visitor Industry-Related Employment and Labor Income as Percentage of Total, 2014-15



Revenues to Municipal and State Governments

The following table shows, to the extent possible, revenues to municipal and state governments from the visitor industry during the four study periods. Additional revenues to municipalities and the State of Alaska from the visitor industry not included in these figures are property taxes, airport fees, State Parks user fees, and State Museum revenues, among others.

Visitor-related tax revenues to municipalities in 2014-15 totaled \$82.9 million, up from \$78.0 million in 2013-14. Sales tax revenues totaled \$33.4 million, lodging tax revenues totaled \$32.6 million, and cruise ship dockage/moorage revenues (including passenger fees, lightering, and water fees) totaled \$16.9 million. All three categories of municipal revenues showed increases from 2013-14, reflecting strong visitor volume growth across markets.

Visitor-related revenues to state government during the 2014-15 study period totaled \$104.8 million, up from \$100.1 million in 2013-14. The largest components of these revenues were Alaska Railroad Corporation revenues at \$27.6 million, Alaska Marine Highway System revenues at \$18.6 million, and Fish and Game licenses and tags at \$18.1 million. The largest increases occurred in Alaska Railroad Corporation revenues (from \$24.8 million to \$27.6 million), corporate income tax revenues (from \$2.6 million to \$5.1 million), and vehicle rental tax revenues (from \$5.8 million to \$6.7 million). Commercial Passenger Vessel tax revenues decreased from \$18.4 million to \$17.2 million. (The drop in CPV tax revenues despite an increase in cruise passenger volume in summer 2015 is attributable to the tax being reported on a fiscal year basis.) Other categories stayed fairly consistent between the two study periods.

Table 1. Selected Revenues to Municipal and State Governments, 2011-12 through 2014-15

	2011-12	2012-13	2013-14	2014-15
Municipal Revenues	\$71.1 million	\$78.0 million	\$78.0 million	\$82.9 million
Sales tax revenues	\$29.2 million	\$31.5 million	\$31.4 million	\$33.4 million
Lodging tax revenues	\$26.7 million	\$29.4 million	\$30.5 million	\$32.6 million
Dockage/moorage revenues	\$15.2 million	\$17.1 million	\$16.1 million	\$16.9 million
State of Alaska Revenues	\$90.7 million	\$100.6 million	\$100.1 million	\$104.8 million
Alaska Railroad Corporation revenues	\$20.2 million	\$23.0 million	\$24.8 million	\$27.6 million
Alaska Marine Highway System revenues	\$18.4 million	\$19.1 million	\$19.0 million	\$18.6 million
Fish and Game licenses/tags	\$17.8 million	\$17.6 million	\$18.1 million	\$18.1 million
Commercial Passenger Vessel Tax	\$16.4 million	\$17.2 million	\$18.4 million	\$17.2 million
Passenger Gambling Tax	\$5.2 million	\$6.0 million	\$6.7 million	\$6.6 million
Vehicle Rental Tax	\$5.7 million	\$5.8 million	\$5.8 million	\$6.7 million
Ocean Ranger Program	\$3.7 million	\$3.9 million	\$3.7 million	\$3.9 million
Corporate Income Tax	\$2.4 million	\$7.0 million	\$2.6 million	\$5.1 million
Commercial Passenger Vessel Environmental Compliance Program	\$0.9 million	\$1.0 million	\$1.0 million	\$1.0 million
TOTAL SELECTED REVENUES	\$161.8 million	\$178.6 million	\$178.1 million	\$187.8 million

Note: Depending on the availability of data, figures above may reflect calendar year, fiscal year, or the study time period. They all reflect 12-month periods as close as possible to the study periods. Columns may not add to totals due to rounding.

Sources: Sales and lodging tax revenues are McDowell Group estimates. Dockage/moorage revenues were collected from municipalities. State of Alaska revenues were collected from Alaska Railroad Corporation, Alaska Marine Highway System, and Departments of Fish and Game and Revenue.

Study Period and Scope

This report measures the economic impact of Alaska's visitor industry for the period of October 2014 through September 2015. For purposes of this report, "visitors" refer to non-residents of Alaska, and excludes both seasonal and year-round Alaska residents.

This study represents the third update to a previous, more comprehensive study conducted by McDowell Group in February 2013 (*The Economic Impact of Alaska's Visitor Industry, 2011-12*). The 2013 report covered the period of May 2011 through April 2012. For the two updates, the time period was shifted from May-through-April to October-through-September to allow for more timely economic impact estimates (since most visitation occurs in the summer months).

Data sources for this update, and to a large degree the methodology, are consistent with the previous report. Following are descriptions of how data was updated from the 2013-14 study to apply to 2014-15. For more detailed background into study methods and sources, readers are referred to the previous report, accessible at this link: <http://commerce.alaska.gov/dnn/ded/DEV/TourismDevelopment/TourismResearch.aspx>.

Visitor Volume and Spending

Visitor volume figures in this report are based on Alaska Visitor Statistics Program (AVSP) *Interim Visitor Volume Reports* for Summer 2015 and Fall/Winter 2014-15, conducted by McDowell Group for DCCED. Both of these reports are available at the above link.

Visitor spending data is based on spending from the previous (March 2015) impacts report. Average visitor spending by category (lodging, retail, etc.), region (Southcentral, Southeast, etc.), and season (summer, fall/winter) was applied to new visitor volume estimates to arrive at total visitor spending. Spending was also adjusted for inflation.

Crew member spending was adjusted based on the change in crew member visits between 2014 and 2015.

Additional Visitor Industry Spending

Cruise line spending figures are based on purchasing data used in the previous report, updated to reflect the 2015 market. Spending was also adjusted for inflation.

Spending by visitors on air tickets to enter and exit Alaska (excluded from AVSP survey data) was adjusted based on visitor volume for the 2014-15 period, as well as changes in average plane ticket fares between 2013-14 and 2014-15, and inflation between the two periods.

Alaska Marine Highway System provided non-resident spending on ferry tickets to enter and exit Alaska (like air tickets, this information was excluded from AVSP survey data) during the study period.

Economic Impact Analysis

Visitor industry direct economic impacts include the jobs and income created by:

- Non-resident visitor spending on all goods and services purchased while in Alaska.
- Half of visitor spending on air travel to Alaska (based on fares for travel from Seattle to Alaska destinations) and all visitor spending on Alaska Marine Highway System tickets. None of the expenditures made by cruise passengers on their cruise package is included, though some of that money flows through the state in the form of cruise line purchases of goods and services.
- Spending in Alaska by cruise lines in support of their operations, including payroll for their shoreside employees in Alaska and all taxes and fees paid to state and local governments.

Indirect effects include those jobs and income created as a result of visitor industry businesses purchasing goods and services in support of their business operations. Induced effects include jobs and income created as a result of employees of the visitor industry spending their payroll dollars in support of their households. Together, indirect and induced impacts are often termed “multiplier effects.”

McDowell Group maintains a visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska. Estimates of direct visitor industry employment and payroll are derived from visitor industry spending estimates, and verified using employment and payroll data from the Alaska Department of Labor and Workforce Development and U.S. Bureau of Economic Analysis. The model incorporates modified IMPLAN multipliers to estimate indirect and induced impacts. IMPLAN is a predictive input-output model of local and state economies, and is widely used to measure the economic impact of industries and industrial/commercial development.

Visitor Industry Tax Revenues

The report includes estimates of tax revenues to municipalities and state government from out-of-state visitors, to the extent possible. Sales tax revenue estimates from 2013-14 were updated based on changes in visitor industry spending, by region. Bed tax revenue estimates from 2013-14 were updated based on changes in accommodations spending, as well as bed tax revenue data collected from municipalities. Cruise ship dockage/moorage revenues were collected from municipalities.

Cruise line payments to the State of Alaska were reported by the Department of Revenue. Fishing and hunting licenses and tag revenues were reported by the Department of Fish and Game. Vehicle rental taxes were reported by the Department of Revenue, adjusted to account for out-of-state visitors. The Department of Revenue also reported corporate income taxes associated with the visitor industry. The Alaska Marine Highway System provided revenues associated with out-of-state visitors. The Alaska Railroad Corporation reported passenger-related revenues, and McDowell Group estimated the percentage attributable to out-of-state visitors.

Additional Economic Impact Data

This section provides additional background data for figures presented in the Key Findings chapter.

Direct Visitor Industry Spending

Visitor industry spending totaled \$2.56 billion between October 2014 and September 2015, up from \$2.42 billion during the previous study period.

- Visitor industry spending is primarily comprised of visitor spending, which totaled \$1.94 billion in 2014-15, up from \$1.82 billion in 2013-14. Spending increases resulted from strong growth in visitor volume, which was up by 7 percent over the previous study period.
- Cruise line spending and payroll totaled \$289 million in summer 2015, up from \$277 million in summer 2014. Cruise lines were assumed to have increased spending in accordance with passenger volume, which was up by 3 percent between 2014 and 2015.
- Spending on air tickets to enter/exit Alaska was estimated at \$307 million for 2014-15, slightly up from the amount for 2013-14.
- The Alaska Marine Highway System reports that out-of-state residents spent \$13 million on tickets to enter/exit Alaska during the study period, equivalent to 2013-14.

Table 2. Direct Visitor Industry Spending by Category, 2011-12 through 2014-2015

	2011-12 Spending	2012-13 Spending	2013-14 Spending	2014-2015 Spending
Visitor spending	\$1.71 billion	\$1.82 billion	\$1.82 billion	\$1.94 billion
Cruise line spending/payroll	\$267 million	\$286 million	\$277 million	\$289 million
Air tickets	\$299 million	\$301 million	\$302 million	\$307 million
Ferry tickets	\$13 million	\$14 million	\$13 million	\$13 million
Total Direct Visitor Industry Spending	\$2.29 billion	\$2.42 billion	\$2.42 billion	\$2.56 billion

Note: Columns may not add to totals due to rounding.

Economic Impacts by Region

Table 3 shows how visitor industry economic impacts were distributed by region, for each of the four study periods. All five regions showed record amounts of impacts for the 2014-15 period in the three impact categories (spending, employment, and labor income), with the exception of Far North, where employment held steady. Southeast and Southcentral experienced higher increases when compared to other regions; Far North and Southwest were less affected by the recent increase in visitor volume.

Table 3. Visitor Industry Economic Impacts by Region, 2011-12 through 2014-15

	2011-12 Impacts	2012-13 Impacts	2013-14 Impacts	2014-15 Impacts
Total Visitor Industry Spending	\$3.72 billion	\$3.93 billion	\$3.92 billion	\$4.17 billion
Southcentral	\$1.97 billion	\$2.05 billion	\$2.06 billion	\$2.20 billion
Southeast	\$1.00 billion	\$1.10 billion	\$1.09 billion	\$1.17 billion
Interior	\$605 million	\$631 million	\$626 million	\$648 million
Southwest	\$116 million	\$120 million	\$121 million	\$123 million
Far North	\$29 million	\$30 million	\$30 million	\$31 million
Total Employment Impacts	37,800 jobs	39,000 jobs	38,700 jobs	39,700 jobs
Southcentral	18,900 jobs	19,200 jobs	19,200 jobs	19,700 jobs
Southeast	10,200 jobs	10,900 jobs	10,800 jobs	11,200 jobs
Interior	7,000 jobs	7,100 jobs	6,900 jobs	7,000 jobs
Southwest	1,400 jobs	1,500 jobs	1,500 jobs	1,500 jobs
Far North	300 jobs	300 jobs	300 jobs	300 jobs
Total Labor Income Impacts	\$1.24 billion	\$1.32 billion	\$1.31 billion	\$1.39 billion
Southcentral	\$580 million	\$601 million	\$604 million	\$644 million
Southeast	\$370 million	\$407 million	\$405 million	\$436 million
Interior	\$240 million	\$251 million	\$246 million	\$255 million
Southwest	\$42 million	\$44 million	\$44 million	\$45 million
Far North	\$11 million	\$12 million	\$12 million	\$12 million

Note: Columns may not add to totals due to rounding.