

ECONOMIC IMPACTS OF THE MILITARY IN ALASKA



UAA Business
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In brief...

Defense spending is a major driver of Alaska's economy.

In fiscal year (FY) 2018, the Department of Defense (DOD) and Coast Guard (USCG) spent \$1.9 billion on contracts and \$1.8 billion in direct payroll.

Through an economic impact analysis, CED estimated the total number of jobs tied to military activities in Alaska, as well as the Anchorage/Mat-Su and Interior economic regions.

Major findings include:

A total of 58,000 jobs in Alaska were tied to DOD and USCG spending in FY2018, with \$4.1 billion in labor income.

- Of these, 33,000 were civilian jobs, making up 10% of all civilian employment in Alaska.
- In the Interior, defense spending accounted for almost 23,000 total jobs, of which 13,500 were civilian. This is nearly one-third of all civilian jobs in the region.
- In the Anchorage/Mat-Su region, the military supported over 30,000 total and 17,000 civilian jobs. The civilian jobs represent about one in 10 jobs in the region.

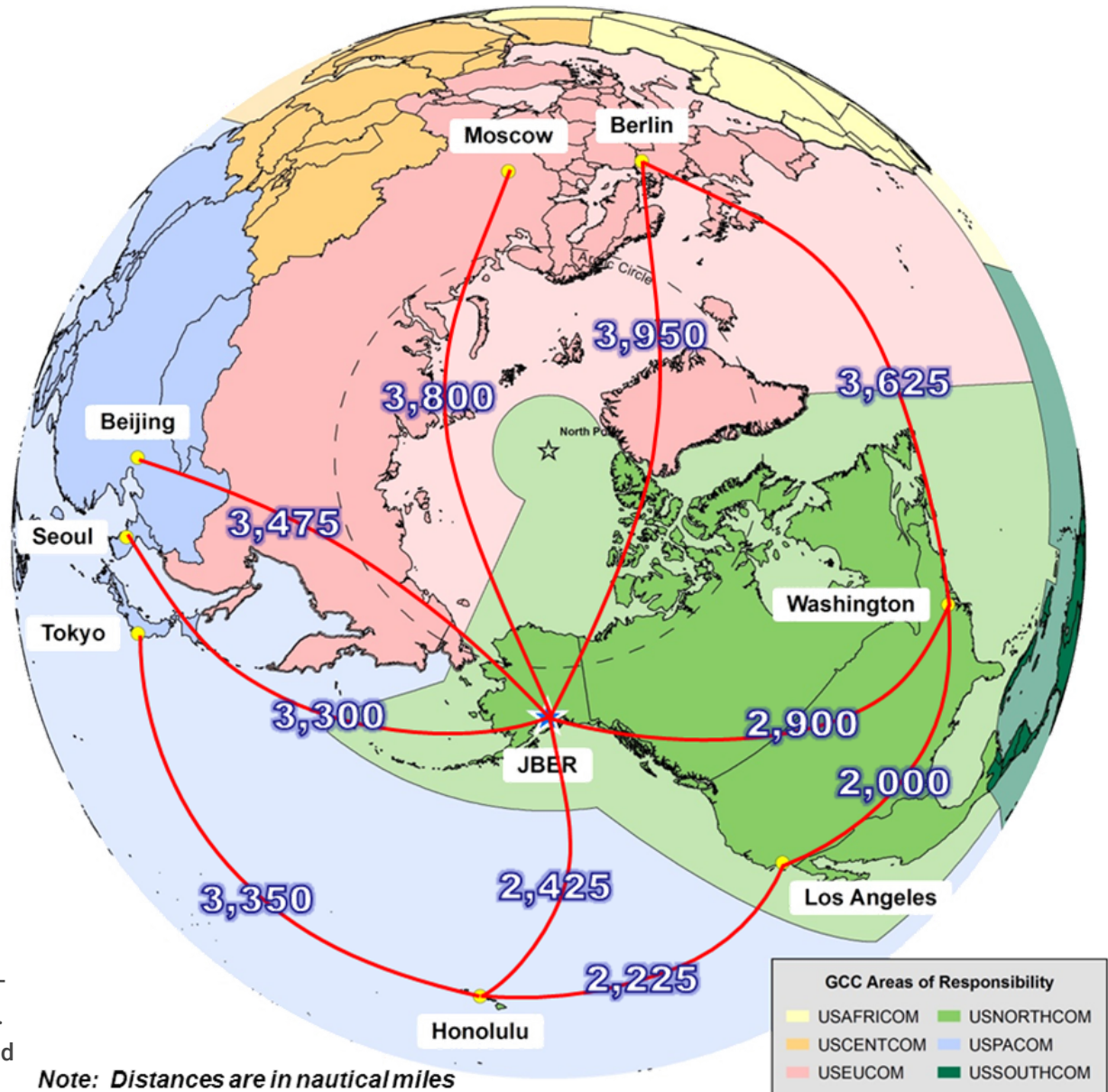
ECONOMIC IMPACTS OF THE MILITARY IN ALASKA



Strategic position

Alaska's position in the Arctic and Pacific Rim give the state global strategic importance. This makes the US Air Force, Army, and Coast Guard major contributors in the state's economy as they conduct operations, build and maintain infrastructure, and directly employ tens of thousands of residents. Contract and payroll spending ripple through Alaska's economy, generating paychecks for workers and revenue for businesses.

Graphic courtesy of North American Aerospace Defense Command [NORAD]; used in an Alaskan Command and Alaska NORAD Region command briefing. Alaska is close to the center of the hemisphere and Joint Base Elmendorf-Richardson [JBER] is uniquely positioned to project power. The distances depicted in nautical miles are to select world capitals from JBER.)





How many jobs does the military create in Alaska?

This question can be approached a few different ways. First, there are those earning a paycheck directly from the Department of Defense (DOD) or Coast Guard, including active duty servicemembers, reservists, National Guard members, and civilian employees. In June 2020, there were just short of 30,000 personnel in Alaska falling into one of these categories.

Another set of jobs results from grants and contracts to businesses, nonprofits, and governments. In FY2019, DOD and the Coast Guard spent \$1.9 billion on grants on contracts in the state, with the largest shares going to construction, facilities, and professional/ technical services. Through input-output modeling, we estimate that this procurement spending sustained just over 10,000 jobs with the businesses and organizations receiving defense revenue in FY2018.



29,706 DIRECT JOBS
including active duty,
civilians, reservists, and
National Guard members



10,257 JOBS
created by organizations
performing military
contracts



Another wave of employment stems from secondary and tertiary effects. As DOD and Coast Guard personnel, vendors, and employees of contractors spend money at the firm or household level, more jobs result. Vendors buy supplies from other firms, and workers spend their paychecks on housing, necessities, and consumable items. We estimate that this spending created another 18,000 jobs statewide in FY2018.

Together, the payroll, grants, and contracts spent by DOD and the Coast Guard in Alaska created about 58,000 total jobs in the state. These jobs brought a total of \$4.1 billion in labor income.



18,001 JOBS

resulting from subsequent business and household spending

57,964

JOBS TOTAL

created by the military in Alaska



Let's put that in perspective

In 2018 and 2019, Alaska had an average of about 320,000 civilian jobs, according to the Bureau of Labor Statistics (BLS). Adding in servicemembers, this grows to about 345,000 military and civilian jobs together. The 58,000 total jobs created by defense spending would represent about 17 percent of that total, or one in six.

However, economic analysis usually focuses on civilian employment, with active duty, reservists, and members of the National Guard being tracked separately. So what share of Alaska's (pre-COVID) 320,000 civilian jobs were tied to the military? To figure that out we subtract the non-civilian DOD and Coast Guard jobs to get about 33,400 civilian jobs created by military spending. That represents 10.4%, or better than one job in 10 being tied to military spending in 2018.



1 IN 6 TOTAL JOBS

in the state are tied to
defense spending



1 IN 10 CIVILIAN JOBS

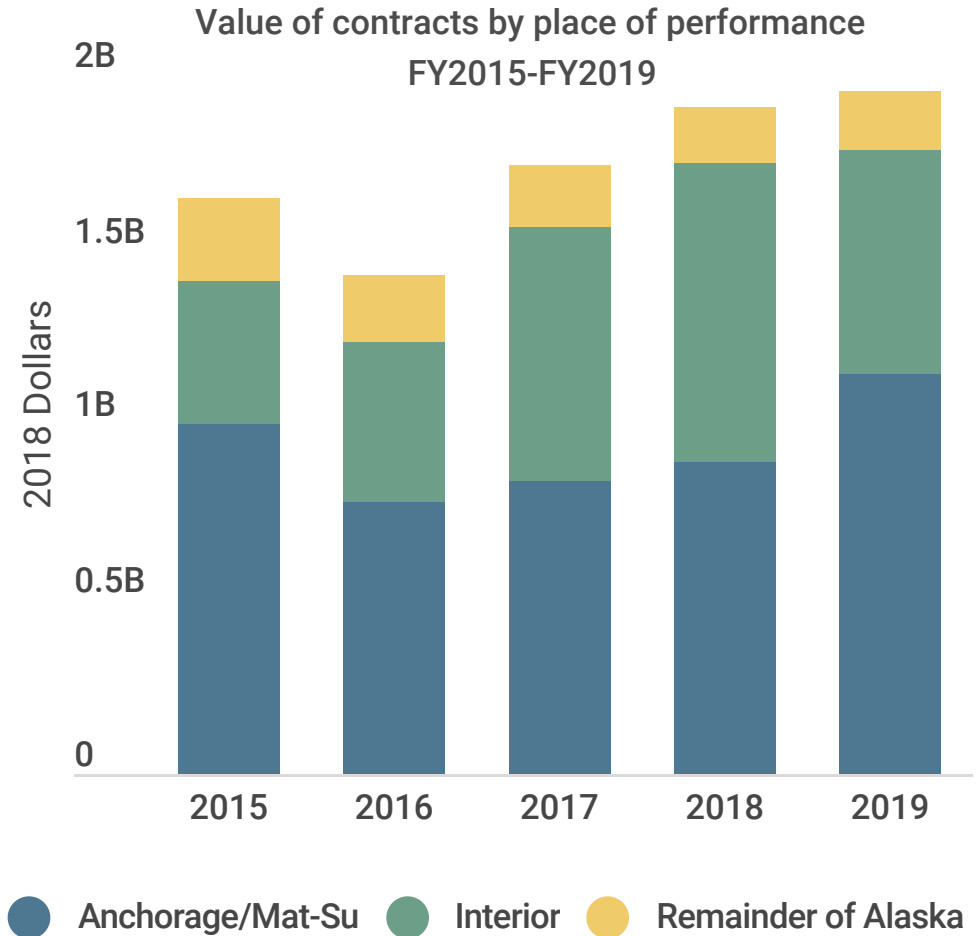
in the state are tied to
defense spending



Where in the state are the economic impacts largest?

Between the Coast Guard, Army, Air Force, and Defense Logistics Agency (which supports all branches) nearly all boroughs and census areas received some defense spending in FY17, 18, or 19. A large majority of the spending on both personnel and contracts occur in the Municipality of Anchorage, and the Fairbanks North Star Borough. Over these three fiscal years, three of every four dollars spent on contracts in Alaska went to those two boroughs.

SOUTHCENTRAL AND INTERIOR GET BULK OF SPENDING



Source: FPDS, CED.



JOBS CREATED BY MILITARY SPENDING AROUND THE STATE

Employment impacts of payroll and contract spending in Alaska, FY2018

	DOD & COAST GUARD PERSONNEL *	CONTRACTOR EMPLOYMENT **	ADDITIONAL EMPLOYMENT ***	PERCENT OF CIVILIAN EMPLOYMENT	TOTAL JOBS TIED TO MILITARY
Anchorage/ Mat-Su	16,132	3,880	10,324	10.1%	30,336
Interior	11,260	5,454	6,108	31.0%	22,821
Remainder of State	2,314	923	1,569	2.5%	4,807
Statewide	29,706	10,257	18,001	10.4%	57,964

*DOD and USCG personnel includes active duty, reservists, National Guard members, and civilian support staff.

**Contractor employment refers to jobs created by organizations receiving DOD or USCG grant or contractual funds.

***Additional employment includes jobs created when businesses and employees spend money in the local economy.

Sources: FPDS, BLS, DMDC, CED.



The Interior region--made up of the Denali Borough, Fairbanks North Star Borough, Southeast Fairbanks Census Area, and Yukon-Koyukuk Census Area--hosts the most defense spending of any economic region on a per-resident basis. Payroll and contract spending in FY2018 created nearly 23,000 total jobs, of which 13,500 were civilian. This amounts to 31 percent of all the civilian employment in the region, or nearly one out of every three jobs.

The Anchorage/Mat-Su economic region, home to Joint-Base Elmendorf Richardson (JBER), typically receives the highest gross military spending in the state, but less per resident than the Interior. In FY2018, payroll and contract spending in the region created over 30,000 jobs, of which more than 17,000 were civilian. Those military-related civilian jobs were over 10 percent of the region's civilian employment.



1 IN 3 CIVILIAN JOBS

in the Interior region
are tied to defense



1 IN 10 CIVILIAN JOBS

in the Anchorage/Mat-Su region
are tied to defense

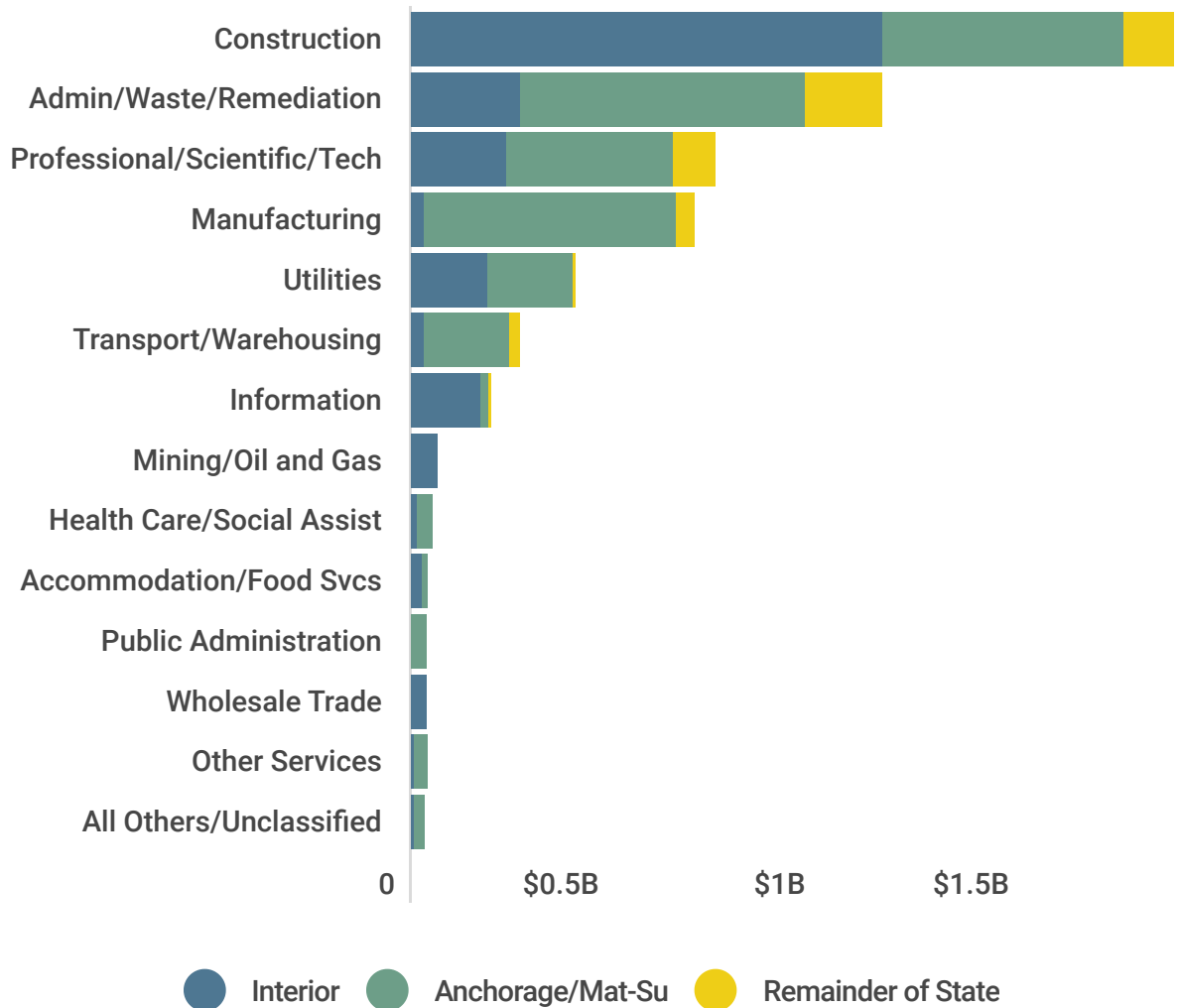


What industries receive the most contract spending?

Two industry categories tend to dominate military contractual spending in Alaska: construction and “Administrative and Support and Waste Management and Remediation Services.” This latter category is a catch-all that consists of facilities support services and environmental remediation, among others. Some may be surprised how significant manufacturing spending is in Alaska. The largest component of this is the purchase of fuel from petroleum refineries.

WHAT THE MILITARY BUYS IN ALASKA

Value of contracts by industry, FY2017-FY2019 total, 2018 dollars



Source: FPDS, CED.



Assumptions, sources, and methods

To determine the employment impacts, we used an input-output model generated through IMPLAN software. Input-output models can be used to estimate the economic impact of specific programs or events; in this case, military spending on payroll, grants, and contracts in Alaska in FY2018. We chose FY2018 because it is the most recent year with relatively complete data on personnel and payroll. Contractual data through the Federal Procurement Data System (FPDS) is more current.

DATA	SOURCE
Personnel figures	Defense Manpower Data Center (DMDC), Office of Economic Adjustment (OEA)
Contractual spending	Federal Procurement Data System (FPDS)
Employment (economy-wide)	Bureau of Labor Statistics (BLS), Alaska Department of Labor and Workforce Development
Impact calculations	By CED using IMPLAN



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