

Bradners'
Alaska Economic Report
*Alaska's only comprehensive business
 analysis — since 1974*

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Tourism dips, but Alaska economy holds steady

Cruise visitors stable; oil work strengthens construction

Tourism appears broadly down this summer due to uncertainties in the U.S. economy and a chill on international arrivals due to visitors' worries over U.S. Immigration and Customs Enforcement (ICE) delays and detainments at entry points. Visitors overall appear to be down 4 percent to 5 percent, a sharp contrast with years of steady growth. The estimates vary, however. The declines are mainly with independents travelers. Cruise ship visitors appear on par with 2024, but this is expected because cruise passengers book their trips far in advance. However, independent travelers typically spend far more in the state than do cruise passengers, so the decline in that sector has impact.

Although cruise visitors tend to stick with plans made far in advance they may spend less on shore excursions and extras if there are concerns for the economy. But overall, the state's economy appears

steady, with wage and salary employment in June up 1.1% over June of 2024. A similar gain was seen in May compared with May 2024, according to state employment surveys. Construction, transportation and oil and gas activity related to North Slope oilfield development continue to be strong.

The drop in tourism is seen in data from Southcentral and Interior Alaska. Anchorage air passengers were down 7% from January through June, and June employment in leisure and hospitality was 16,600, down from 17,300 in June 2024.

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Medicaid cuts can be mitigated: Sen. Sullivan

Alaska U.S. Sens. Lisa Murkowski and Dan Sullivan escorted U.S. health Secretary Robert Kennedy in a visit to Alaska to get a better understanding of rural health problems. In a briefing, Sullivan said the adverse impacts of changes to Medicaid in the federal "Big Beautiful" bill, now law, will be mitigated by a number of late additions to the bill in

the Senate. Sullivan also said adverse effects may be overblown by critics. The enhanced Medicaid population or coverage for children doesn't change under the bill nor does the split of federal/state support. The rural hospital fund, which Sullivan and Murkowski got into the bill, could bring \$200

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Energy:

Railbelt wind projects sidelined?

Two big wind power projects for the state’s Interior-Southcentral regions have been sidelined by President Trump. Golden Valley Electric Association in Fairbanks has turned down a “term sheet,” or detailed proposal, for the Shovel Creek wind project proposed by a private company, Alaska Renewables. GVEA said it continues to study the project but the likely loss of federal tax credits and delays in permitting for wind projects announced by President Trump, would load too much risk on the Interior utility’s ratepayers. Shovel Creek is further along in development than a second Alaska Renewables project near Mount Susitna in Southcentral Alaska. That has not progressed to the point of a specific proposal to regional utilities but is also burdened by high costs of building transmission lines to a more remote location. Planned solar projects are now on the back burner because of financial uncertainties. These include an expansion of a Mat-Su region project now operating and a new project on the Kenai Peninsula.

Community solar in Anchorage

Here’s some good news on renewable energy: Chugach Electric Association’s new community solar project in Anchorage is now operating and has evident strong local support, based on the number of Chugach members signing up to share in power. Two hundred and sixty Chugach members subscribed in the voluntary program and 51 more are on a waiting list, Chugach said. A fee is involved. A second project is now being discussed. Solar power production is estimated at 622 Megawatt hours in the first year of operation. This is the first community solar project in Alaska.

Health care:

Medicaid changes in Alaska

– *Continued from bottom, page 1)*

million to \$300 million per year. Half of the money comes directly to the state, although the state must develop an implementation plan to get it. The other half comes in grants following a set of criteria. The main adverse effect comes through the twice-yearly re-enrollments rather than yearly and the work requirements. Sullivan said there are numerous exemptions to the work requirements, for the disabled, for example. But it remains to be seen just how “work” will be spelled out in regulations. Murkowski, in the same briefing, pointed out that the uncertainty over whether the Affordable Care Act, or ACA, tax credits for coverage will be extended will affect all this. People who lose Medicaid coverage, for example through administration issues, and who seek health coverage under the ACA could find that difficult if the tax credits end.

Education:

AVTEC gets national attention

Here’s a feather in our cap: The Alaska Vocational Technical Center (AVTEC) in Seward was named as one of *USA Today’s* “America’s Top Vocational Schools” of 2025, a ranking of 250 top-performing institutions recognized for student success and overall educational value. The ranking is based on performance indicators such as graduation rate, graduate salary, years to pay off costs, diversity, and social mobility.

UAF expands research rocket program

The University of Alaska Fairbanks is expanding its research rocket launch program from Poker Flats to Kodiak and potentially the North Slope.

Infrastructure: Good news and bad

\$8.5 billion in federal infrastructure funded for Alaska projects, but some now canceled

About \$8.5 billion was funded for Alaska projects under the federal Infrastructure Investment and Jobs Act, or IIJA, by the former administration of President Joe Biden, but about 10% of that has been canceled or frozen by new President Donald Trump, according to estimates assembled by McKinley Research. McKinley did the work in an economic update prepared for the Anchorage Economic Development Corp. (*see page 4*) and will update in January as part of McKinley's annual construction forecast for Associated General Contractors Alaska., the construction industry trade group. Tracking the IIJA money flowing into Alaska has been difficult. The Alaska Municipal League assists local governments applying for funds but lacks clear data on what has been funded. The Alaska Federal of Natives assists tribes applying for grants but lacks data on awards. The state had a person tracking IIJA for state agencies but Gov. Mike Dunleavy vetoed funds for the office in the current year budget. (*See more on this, page 5*)

Cancellation of federal "Solar for All" will cost Alaska \$125 million in projects

Separate from the IIJA federal projects (above) the U.S. Environmental Protection Agency's cancellation of the federal "Solar for All" program is now official, the Alaska Energy Authority said. This means \$125 million in community and rooftop solar projects planned in Alaska will not proceed. The energy authority and Alaska Housing Finance Corp. were to manage the community and rooftop solar programs, which were to aid disadvantaged communities. Also included in the \$124 million is \$62.5 million for tribal community solar projects, also now canceled.

Conoco Phillips' Alaska capital investments over \$2 billion in first half of year

On a more upbeat note, ConocoPhillips said it has invested more than \$2 billion in its new Alaska projects year-to-date. Most of this is on the company's Willow field now in construction on the North Slope. Willow's total capital cost is estimated at \$7.5 billion. The field is to be complete in 2029.

\$150 million budgeted for Adak reopening as military base

Adak will be reopened as a U.S. military base serving both air and sea forces, Alaska Sen. Dan Sullivan said. About \$150 million has been budgeted, the senator said, but the timing is still being worked out. Adak, a former U.S. Navy air station during the Cold War, closed in the 1980s, leaving extensive infrastructure. Sullivan pressed the military brass hard on Adak and held up the nomination of the Chief of Naval Operations Daryl Caudle until he got assurances on Adak, including from Defense Secretary Pete Hegseth. Sullivan and Admiral Kevin Lunday, acting commandant of the U.S. Coast Guard, were in Juneau last week for the commissioning of the *Storis*, a former oil industry Arctic support vessel that was purchased and upgraded to become a new Coast Guard icebreaker. The *Storis* will be homeported in Juneau, providing a big economic stimulus to the state's capital city. The "Big Beautiful" tax and budget bill that passed Congress and is now signed into law has \$25 billion for the Coast Guard that will see 22 new cutters and 16 new icebreakers. A few of those vessels will be homeported in Alaska, Sullivan said.

Anchorage gets a mixed economic review

Anchorage got a mixed economic review in the mid-year forecast luncheon held by the Anchorage Economic Development Corp., the city's business development group. The forecast was developed by McKinley Research. Here are some highlights:

- Wage and salary jobs continued to grow. Jobs were up from 151,300 in the 2024 January-to-June period to 152,000 for the same period of 2025. Employment growth was stronger in 2023 with jobs for January to June up from 147,000 to 151,300.
- The most jobs gained in 2024 to 2025 were in transportation, up 1,000, followed by health care and government, both up 500. Construction and professional and business services, which includes engineering, showed small losses. Leisure and hospitality, which reflects tourism, was down 700 jobs, reflecting the soft 2025 visitor season. Health care employment is up but is expected to decline by the end of the year, McKinley said. Amazon's distribution center saw its first full year of operations in 2024, McKinley Research noted.
- Air freight and marine cargo deliveries showing continued gains. Marine cargo delivered at the Port of Alaska totaled 2.25 million tons for the January-to-June period, up from 2.06 million tons for the same period of 2024. Air cargo landings at Ted Stevens International Airport totaled 1.44 million tons for the first half of 2025, up from 1.38 million tons for the first half of 2024. The increase reflects not only increased overall activity but also new air cargo operators landing in Anchorage to refuel.
- In Anchorage construction and building, new permits dropped for the first half of 2025 to \$285 million from \$291 million in project values. The total was up the previous year, however, from \$213 million in the first half of 2024 to \$291 million in the first half of 2025. Residential permit values increased while commercial building activity showed a decrease, McKinley Research said.
- In housing, new multi-family construction was up sharply for the January-through-June period to 171 permits, up from 45 in the same period of 2024. Permits for single-family housing units dropped, however, from 111 in the first half of 2024 to 96 in the first half of 2025. Multi-family unit construction is at the highest level in recent years with new tax abatements and a moratorium by the Municipality of Anchorage on housing design requirements. Both of these are encouraging new housing development, McKinley Research said.
- The median sales price of homes sold in Anchorage averaged \$520,500 over the first half of 2025, reflecting continued gradual increases. The number of homes sold averaged 730 over the period, about the same as the first half of 2024.

Air cargo volatility, health care uncertainty

Air cargo activity through Anchorage, mostly international flights landing for refueling, reflects the impacts of U.S. tariff volatility and uncertainty. Volumes dropped sharply in January and February with the uncertainty over tariffs and then climbed sharply in February and March as importers purchased and shipped more from Asia to get ahead of new tariffs. Cargo volumes declined from March through May, however, as importers cut back on purchases and shipping.

• **Uncertainties over federal Medicaid**

Uncertainties over federal Medicaid will affect health care spending and employment in the Anchorage and Mat-Su regions, McKinley Research said. Roughly half of the state's Medicaid recipients, or about 120,000 people, live in Anchorage and Mat-Su. The state of Alaska is now updating its estimates of the impacts of federal Medicaid reductions in the state. About \$9.5 billion is spent annually in Alaska for health care services. Medicaid, for lower-income Alaskans, pays about 21% of this with Medicare, for senior citizens, paying about 11%, McKinley Research said.

Private insurance more expensive

Meanwhile, insurance premiums for employer-based health coverage, are continuing to increase. Those are up about 25% over the last decade, and rose from \$8,624 in average cost per policy in 2022 to \$9,096 in 2023.

Business and consumer confidence

Business confidence: Business confidence dipped in Anchorage between 2024 and 2025, but consumer confidence increased, McKinley Research said, citing data from local surveys. Business confidence in the local economy dropped to 49.1 in a survey index, down from the mid-50's in 2024. Two-thirds of Anchorage businesses in the survey said they expected local economic conditions to worsen while 23% said they expected things to get better. Most of those expecting worse conditions expect things only slightly to moderately worse. Eleven percent of businesses in the survey expect no change.

Consumer confidence: However, consumer confidence in Anchorage increased to 43.9 on an index, up from 41.8 in 2024. About 58% of Anchorage residents are also more confident in their own personal finances, McKinley Research said.

More on federal infrastructure grants

In the \$8.5 billion in federal infrastructure grants, 60% have gone to the state of Alaska; 22% to tribal entities, 9% to non-profit or for-profit entities, and 1% to municipalities.

About 1,400 people attended AEDC's mid-year forecast luncheon in Anchorage, making it one of the bigger business events of the year.

Petroleum:

ConocoPhillips: 900 at work on Willow

At its second quarter earnings call with analysts ConocoPhillips said its Willow project workforce is down from a winter high of 2,400 to 2,500, a record, but the company still has 900 construction workers busy, company executive vice president Kirk Johnson told analysts. In a separate statement ConocoPhillips' Alaska CEO, Erec Isaacson, said the Willow operations center is now the focus of activity with completion and permanent occupancy set for the end of year. Willow's construction camp is now operating, allowing year-around work. Isaacson also said drilling continues at Nuna, a project in the Kuparuk River field which began production in December, 2024. Six of 28 planned production wells at Nuna have been completed, Isaacson said.

On a company-wide basis, Ryan Lance, ConocoPhillips' CEO, told analysts that the company is doing well with Lower 48 production and planned liquefied natural gas expansions. "This is the strongest our portfolio has ever been," he said. The company is still looking for efficiencies, however, with plans to trim \$1 billion from operating costs. ConocoPhillips also expects to gain a \$500 million tax benefit from President Trump's Big Beautiful tax and budget bill now in law.

In connection with its second-quarter report ConocoPhillips also said it earned \$135 million in the quarter and paid an estimated \$311 million taxes and royalties in Alaska. The taxes include state and local. Since 2007, the company has earned \$28 billion in profit and paid \$46 billion in state royalty and, and local taxes, with \$36 billion of that paid directly to the state.

Santos: Pikka sealfit modules arriving

Santos, Ltd. said processing modules delivered by barge from Canada's MacKenzie River have arrived on the North Slope and that more barge-mounted modules will arrive in August from the U.S. Pacific Northwest. In addition, a seawater treatment plant for Pikka is also en route by barge to the North Slope from Indonesia, where it was built. The company has been working to prepare the Pikka field site for arrival and plugging-in of the modules. Santos said Pikka is 91% complete and the 21st production well has been drilled. Based on this progress it now appears likely the field may be able to start production at year-end, although the official goal is still early 2026. Pikka's phase one will produce 80,000 barrels per day. A phase two expansion is well along in planning, Santos has said.

Hilcorp: New Point Thomson well

Hilcorp Energy received state approval for preparations for drilling a new gas and liquid condensate production well at the Point Thomson field east of Prudhoe Bay. A Doyon Drilling rig will be moved to Point Thomson later this year for the drilling, which will be done in the winter. Point Thomson now has three wells with one producing gas and condensate and two others injecting produced gas back into the high-pressure reservoir. The condensate fluids are shipped by pipeline west to the Trans Alaska Pipeline System. Point Thomson is a complicated and technically challenging reservoir to drill into and produce. It has a very high pressure of over 10,000 pounds per square inch, about twice that of producing oil fields in the Prudhoe Bay area farther west.

Minerals:

2025 updates on three operating mines

Manh Choh: Kinross Gold is testing three of six new gold prospects on lands around the new Manh Choh Mine on the Tetlin reservation east of Fairbanks. New gold mineralization was identified in exploration last year. Manh Choh is in its second year of operation in an expected four years of production. The mine is expected to produce 640,000 ounces of gold.

Donlin Gold: Donlin Gold has drilled about half of a 15,000-meter 2025 drilling program intended to firm up gold resource estimates. The project is under a new ownership after the exit of Barrick Gold. Sixty percent of Donlin is now held by NovaGold, previously a minority owner, and 40% held by Paulson Advisors. NovaGold and Paulson are proceeding with an updated feasibility study.

Red Dog Mine: Teck Alaska's Red Dog zinc and lead mine north of Kozebue produced 136,600 tonnes of zinc concentrate in the second quarter, down from 139,400 tonnes in second quarter 2024 due to lower grades. The decline was expected. The mine is approaching the end of operations in 2031.

Business:

Anchorage downtown development

Property development firm Peach Holdings has work underway at last on a \$300 million redevelopment plan on Fourth Avenue in downtown Anchorage. The company demolished buildings including the historic Fourth Avenue Theater but the project was delayed, leaving a big hole the ground, an eyesore. Peach plans retail, and housing or a hotel and has redeveloped the nearby former nearby KeyBank Plaza into a 9-story office building.

Economy:

Alaska jobs up 1.1% in June: State data

Alaska wage and salary employment was up 1.1% in June compared with the same month of 2024. May also saw a 1.1% increase. The data is from surveys of employers by the Alaska Department of Labor and Workforce Development, and is subject to revision. Generally, the data showed continued stability in the economy with strong petroleum-related employment on the North Slope and flat or slightly declining job counts in other industries.

Oil and gas jobs were up 7.7% year-over-year; construction was up 4.4%, and professional and business services, which includes engineering, was up 1.3%. Transportation jobs, much of this also oil and gas influenced, were up 2.5%. Petroleum-related job growth is slowing through the summer as the industry comes off a very strong winter construction season. Work will pick up again as winter approaches but it will begin to taper off as the two big oil projects, Willow and Pikka, get further along. Santos, Ltd. is hoping for a completion of Pikka by the end of this year.

In other industries, manufacturing, mostly seafood processing, is flat compared with last June. Seafood processing jobs were at 16,100 in June, which is typically near the peak of the summer salmon season. Retail jobs showed a 0.3% decline but this is mainly in "brick and mortar" retail stores, which are adversely affected by online retail ordering. Leisure and hospitality jobs, which include hotels and restaurants and which reflect tourism, were down 0.5% in June, the peak of the visitor season. This reflects the softening of the visitor industry this year (*see page 1*). Health care showed a 3.1% gain in jobs, reflecting stability.

Tourism dips, but fundamentals still strong

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In the Mat-Su region north of Anchorage visitors appear to be down 4% to 5% according to the Mat-Su Convention and Visitors Bureau but, surprisingly, spring hotel/motel “bed tax” collections are up by a comfortable margin of \$645,500 in second quarter compared with \$596,000 in second quarter 2024, according to tax data from the Matanuska-Susitna Borough. Bed tax revenues would be influenced by inflation and higher room rates, however.

In the Interior, hotel/motel occupancy rates were 63% from January through June, down from 68% for the first half of 2024. Within the six months January was up from 2024 while June showed only a slight decrease, 80% vs. 83%. Room rates increased 2% for the six-month period but rose 5% in June over the year before. Short-term rental occupancy rates in the Fairbanks area dropped from 37% to 33% in the period and listings increased 20%, indicating more supply amid softening demand. Fairbanks North Star Borough bed tax revenues were \$3.04 million for January through May, down from \$3.42 million for the four month period of 2024. May is the latest month reported on Fairbanks borough bed tax collections.

The data is mostly from Explore Fairbanks, the regional visitor industry trade association. January and February, traditionally good winter tourism months for the Interior, saw good growth over 2024 but things went soft in the months following. That was when concerns over the economy and impacts of tariffs, and the ICE policies, began to be felt. There is some encouraging data, however. Passenger arrivals at Fairbanks’ airport were up 7% in June, while the Alaska Railroad reported a healthy increase of 18% in June over the same month of 2024. *Statewide, advance bookings by independent travelers slowed in early spring and last-minute bookings have not picked up enough to cover the difference, the Alaska Travel Industry Association reported. But this appears to vary by region. In Fairbanks, there appear to be more last-minute bookings, Explore Fairbanks said.*

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