

JANUARY 2021

The Economic Benefits of Alaska's Construction Industry and 2021 Construction Spending Forecast

PREPARED FOR:



Formerly McDowell Group



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.build907.com

CIPF Supports Alaskans and the Construction Industry



Economic Benefits &
Forecast

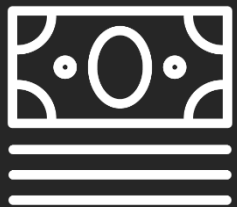


Researching and Improving
Perceptions



Educating the Public

Television Ads



Local Bond
Issues



Distributing Information
and Communications

*Social media, AGC pod casts, media
equipment*

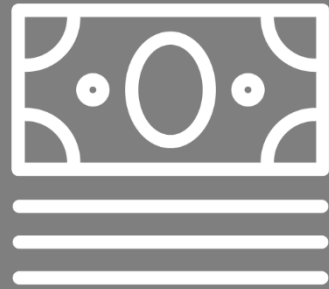


UA Student
Chapters



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

CIPF – Build Alaska Campaign

**Exciting
New
Addition!**

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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)
 - Seafood Industry (ASMI)
 - Visitor Industry (DCCED/ATIA)
 - And many more....

OUR ASSIGNMENT

1

Economic
Impact of
Alaska's
Construction
Industry

2

Oil Prices
and
COVID-19
Impacts

3

Forecast
2021
Construction
Spending



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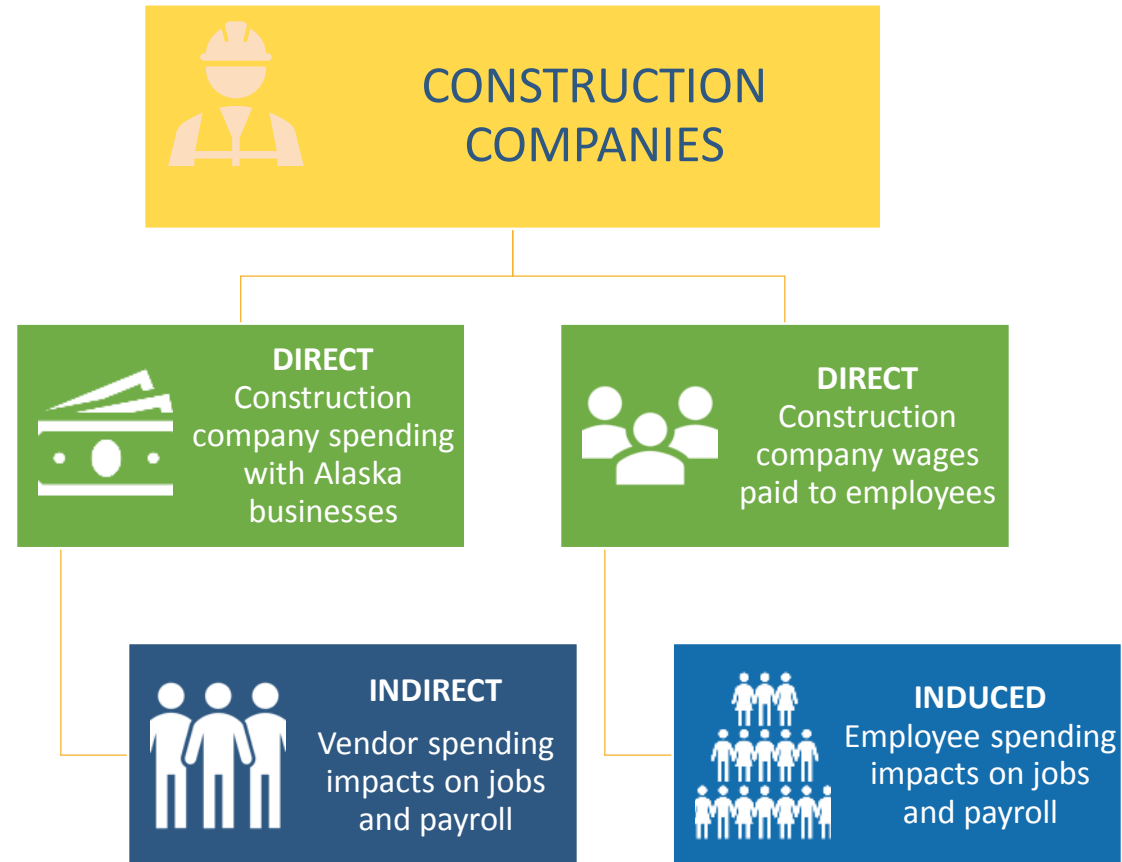
METHODOLOGY

- Compiled and analyzed secondary data from published and unpublished sources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 120+ organizations/businesses on expected construction spending

ALASKA'S CONSTRUCTION INDUSTRY JOBS AND INCOME IMPACTS



HOW MONEY FLOWS THROUGH OUR ECONOMY



IN 2019, ALASKA'S CONSTRUCTION INDUSTRY...

Employed Alaskans

- Employed **24,000 workers**, including wage & salary, and self-employed workers
- **81% 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 **42,000 jobs** and **\$3.4 billion** in wages
 - 9% of total employment in Alaska
 - 10% of total labor income in Alaska



2,507 CONSTRUCTION INDUSTRY EMPLOYERS

Alaska Construction Industry Employers, Jobs, and Wages, 2019 (By Top 10 Boroughs)

Borough/Census Area	Total Number of Employers	Total Jobs (Monthly Average)	Total Wages (\$Millions)
Anchorage Municipality	886	7,660	\$645
Fairbanks North Star Borough	341	2,729	\$237
Matanuska-Susitna Borough	466	2,495	\$179
Kenai Peninsula Borough	251	919	\$56
Juneau City and Borough	123	622	\$41
Ketchikan Gateway Borough	67	280	\$18
Valdez-Cordova Census Area	37	185	\$19
Kodiak Island Borough	45	184	\$13
Sitka City and Borough	37	155	\$12
Haines Borough	16	91	\$10
All Other Boroughs/Census Areas	238	1,076	\$102
Total	2,507	16,396	\$1,332

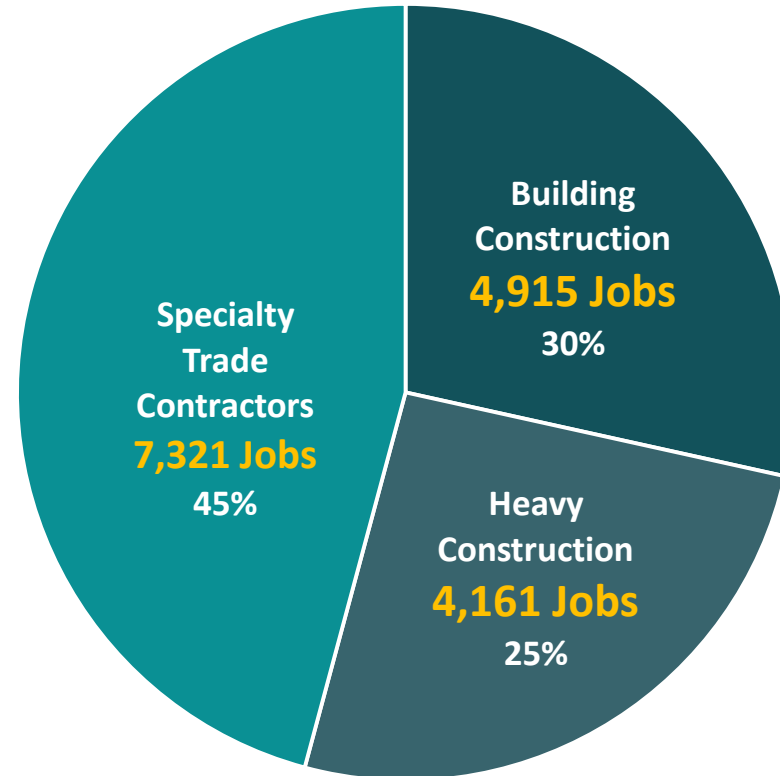
Source: Alaska Department of Labor and Workforce Development



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CONSTRUCTION WAGE AND SALARY JOBS, BY TYPE

Total Wage and Salary Employment: **16,396**



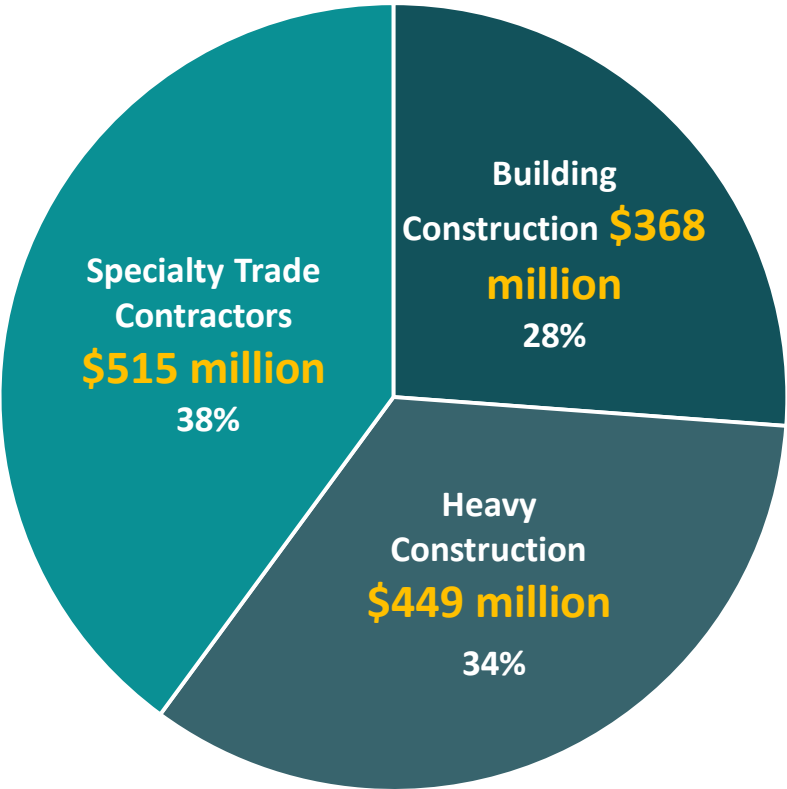
Source: Alaska Department of Labor and Workforce Development.



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CONSTRUCTION WAGES

Total Wage & Salary Wages: **\$1.3 B**



Source: Alaska Department of Labor and Workforce Development.

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

Average Annual
Construction Worker Wage:
\$81,258
43% above average Alaska wage
(\$56,983)



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**)



TOTAL ECONOMIC IMPACT

- Statewide construction industry-related jobs represent **9%** of all Alaska jobs (**42,000** of 453,788)
- Construction industry-related activity accounted for **\$3.4B** in labor income, **10%** of Alaska's total labor income (\$32.7B)

Construction Industry-Related Jobs and Labor Income Impacts in Alaska, 2019

Impacts	Jobs	Labor Income
Direct	24,000	\$2.3 billion
Indirect & Induced	18,000	\$1.1 billion
Total	42,000	\$3.4 billion

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

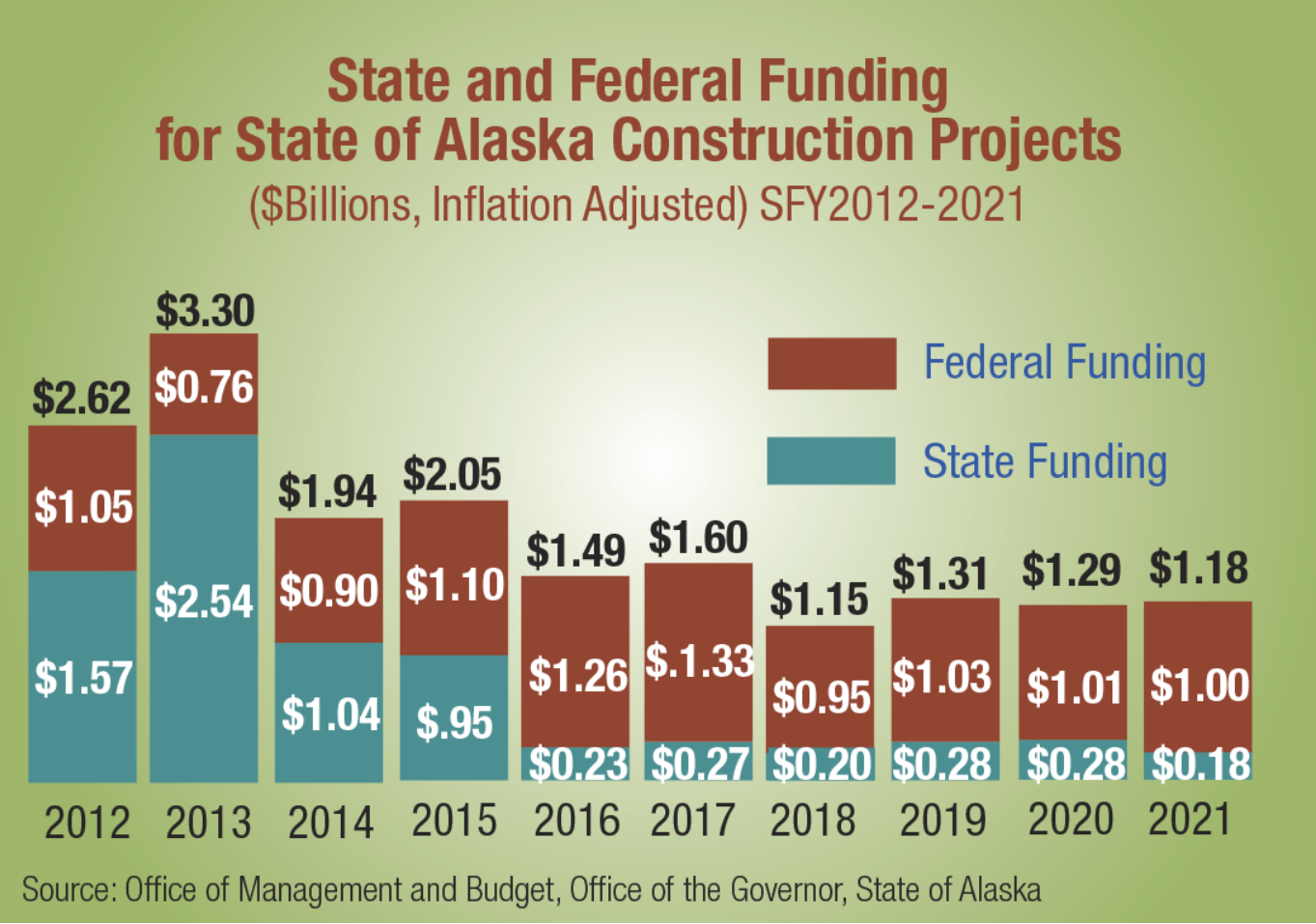
GOVERNMENT CONSTRUCTION FUNDING



FEDERAL CONSTRUCTION SPENDING (FFY2020)

- \$1.5 B
 - \$343 Million in Federal Contracts
 - \$1.2 B in Federal Assistance

STATE/FEDERAL FUNDING FOR STATE OF ALASKA CONSTRUCTION PROJECTS

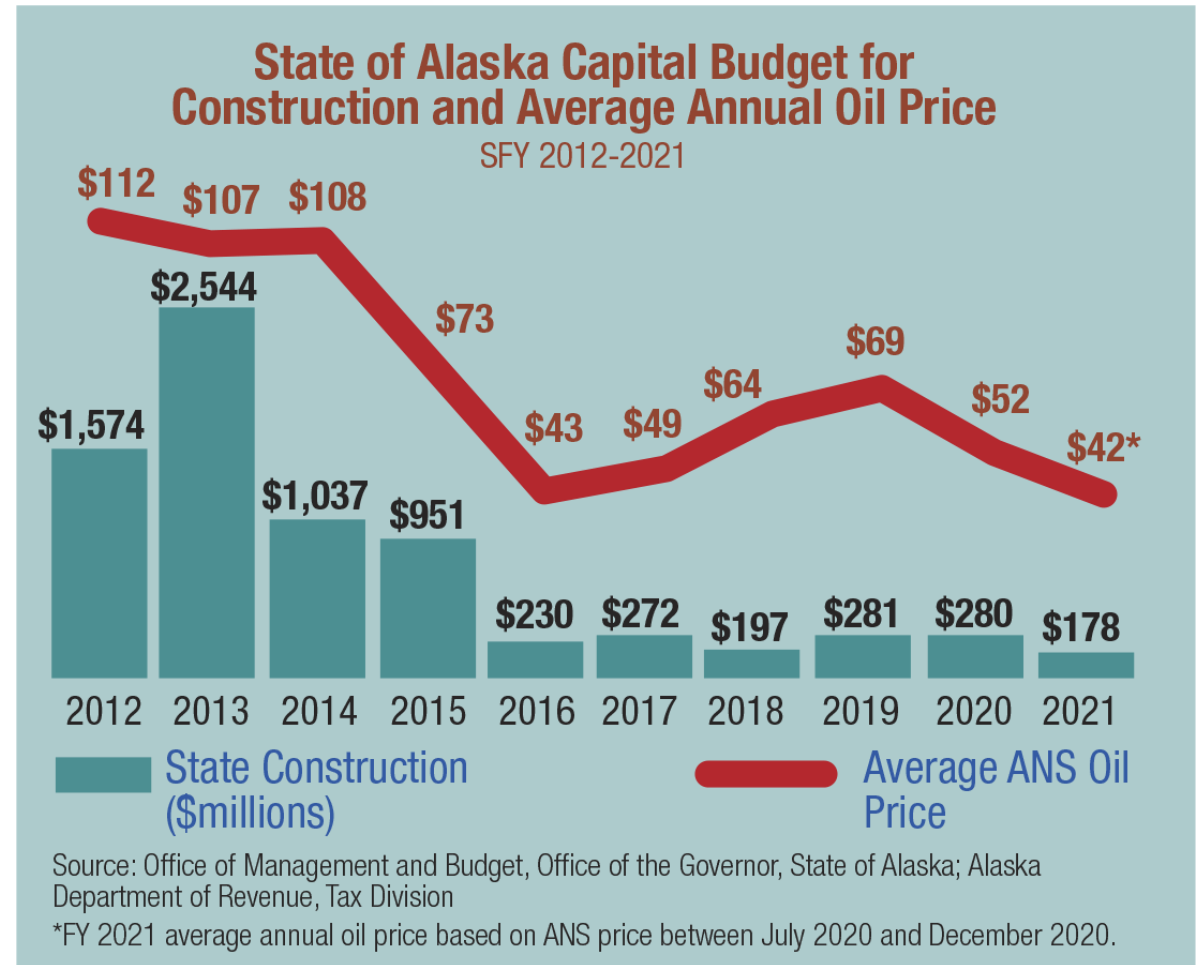


OIL PRICE IMPACTS

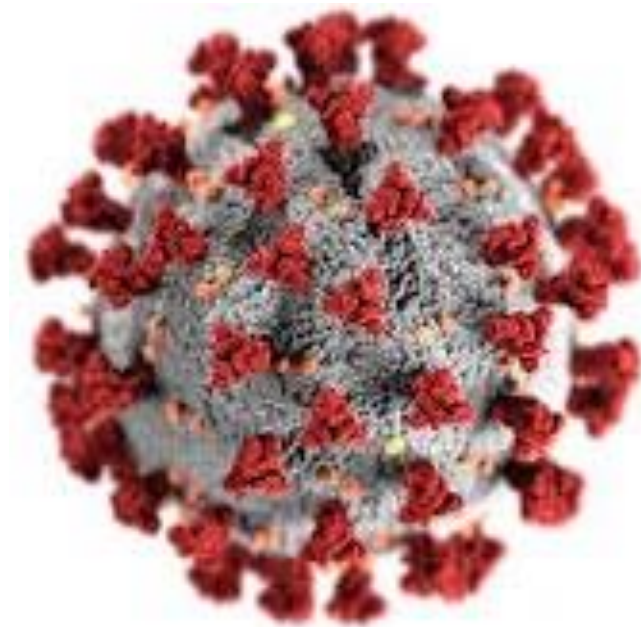


OIL PRICE IMPACTS

- Low oil prices impact the financial feasibility of new oil and gas developments and may impact companies' available capital to pursue construction projects
- Oil price declines reduce Alaska's taxable production, leaving less funding for state capital projects



COVID-19 IMPACTS



CONSTRUCTION ACTIVITY IMPACTS

- As essential workers, the construction industry continued work on projects across Alaska throughout the pandemic.
- However, due to revenue constraints, supply chain challenges, and complicated logistics, construction activity was significantly impacted in 2020; these impacts are expected to continue in 2021



Identified COVID-19 Impacts on Construction Activity in 2020

**\$50
MILLION**

Amount of
Cancelled Contracts

**\$50
MILLION**

Amount of
Deferred Spending



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CONSTRUCTION COMPANY IMPACTS



CARES Act PPP Loans to Construction Companies in 2020

1,325

Number of CARES Act PPP Loans to Construction Companies

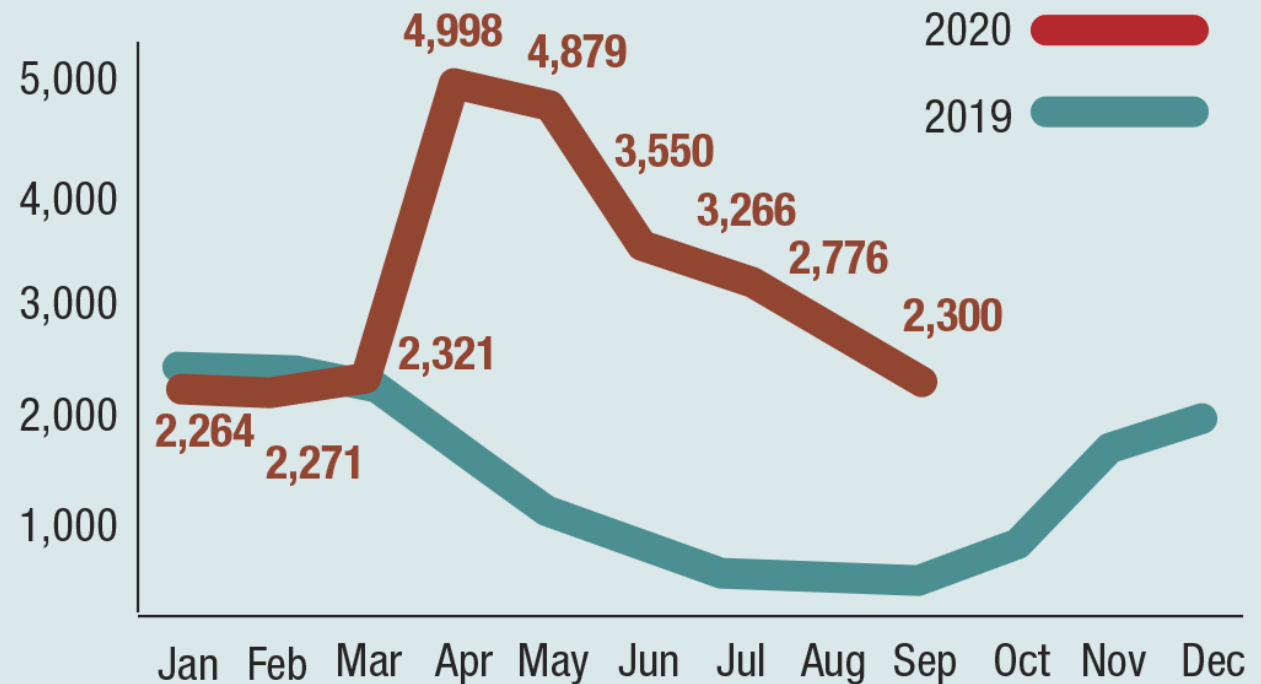
\$200 MILLION

Total Amount of CARES Act Loans

12,000

Number of Jobs Retained

Construction Worker Unemployment Claimants by Month, 2019-2020



Source: Alaska Department of Labor and Workforce Development



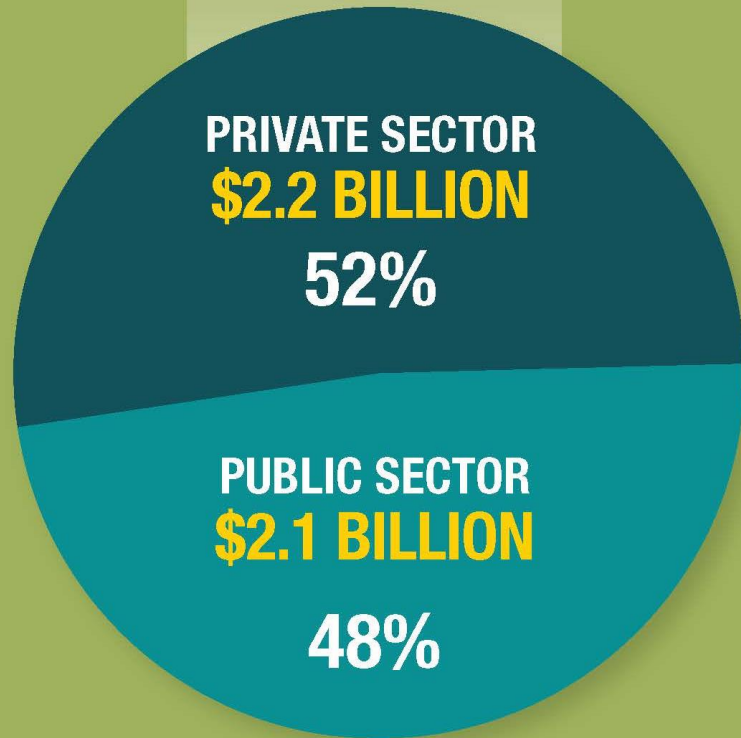
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2021 CONSTRUCTION SPENDING FORECAST



2021 Construction Spending Forecast

Total Spending
\$4.3 Billion



2021 Construction Spending Forecast Summary (\$million)

Category	Total Spending	% of Total Spending
Private Construction Spending	\$2,220	52%
Oil and Gas	\$1,100	26%
Mining	\$130	3%
Other Basic Industry	\$50	1%
Utilities	\$300	7%
Hospitals/Health Care	\$240	6%
Other Commercial	\$50	1%
Residential	\$350	8%
Public Construction Spending	\$2,055	48%
National Defense	\$525	12%
Highways and Roads	\$465	11%
Airports, Ports, and Harbors	\$355	8%
Education	\$290	7%
Other Federal Government	\$140	3%
Other State and Local Government	\$280	7%
Total	\$4,275	100%

Source: McKinley Research Group estimates



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2021 PRIVATE SECTOR CONSTRUCTION OUTLOOK



PETROLEUM AND MINING SECTOR

PETROLEUM

\$1.1
Billion



ConocoPhillips, Hilcorp

MINING

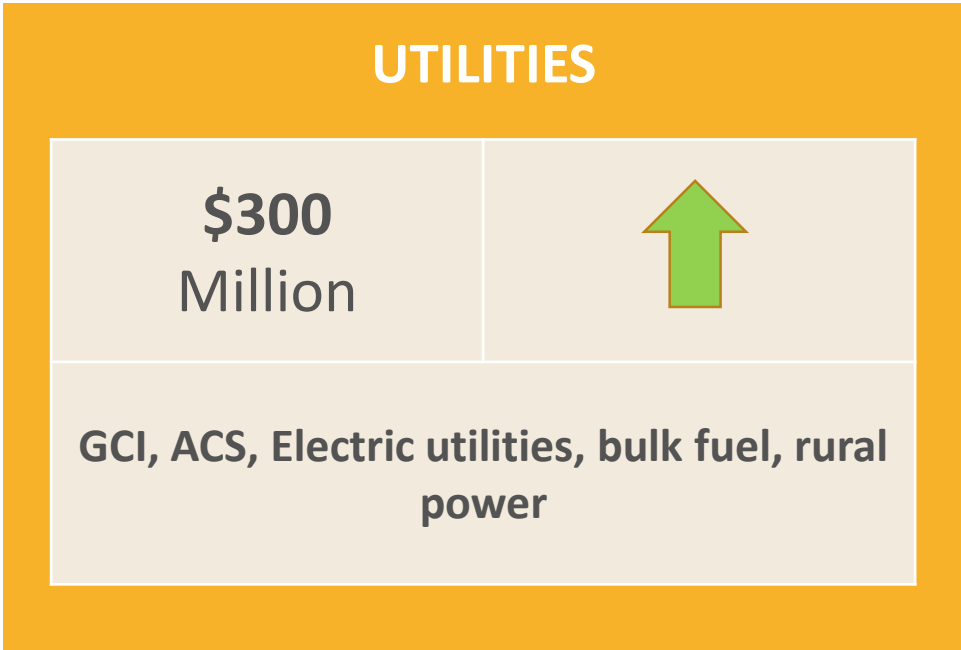
\$130
Million



All large producing mines



OTHER BASIC INDUSTRY AND UTILITIES



HEALTH CARE AND OTHER INDUSTRIAL/COMMERCIAL DEVELOPMENT

HEALTH CARE

\$240
Million



Fairbanks Memorial, TCC, YKHC and
others

OTHER INDUSTRIAL/COMMERCIAL

\$50
Million



Retail and others



RESIDENTIAL



2021 PUBLIC SECTOR CONSTRUCTION OUTLOOK



HIGHWAY/ROADS AND AIRPORTS/PORTS/HARBORS/RAILROAD

HIGHWAY AND ROADS

\$465
Million



Seward, Sterling, Dalton, Parks,
Richardson Highways and others, plus
2018 Earthquake Recovery

AIRPORTS/PORTS/HARBORS/ RAILROAD

\$355
Million

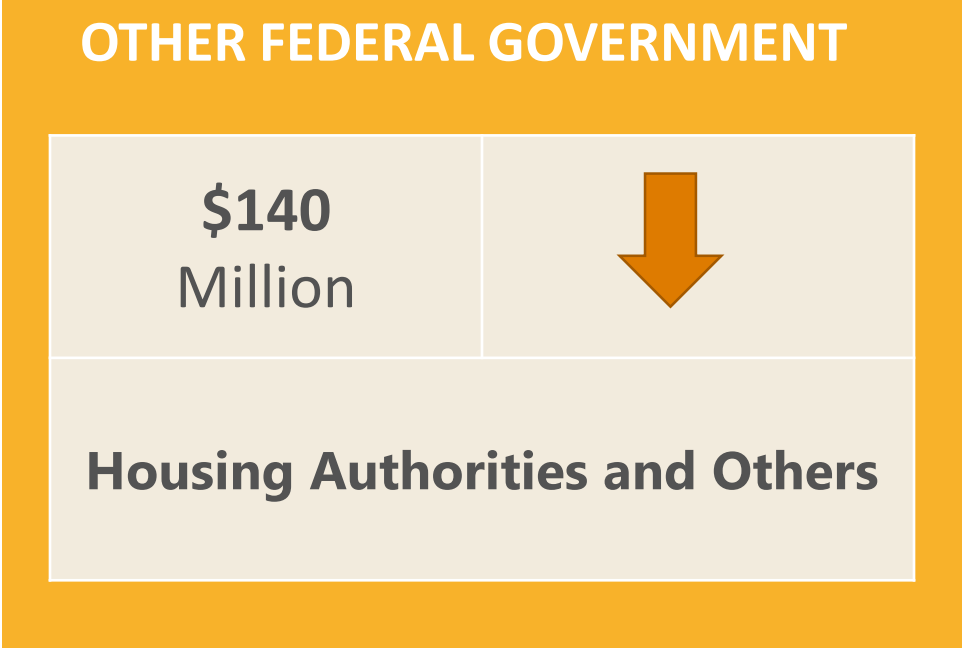
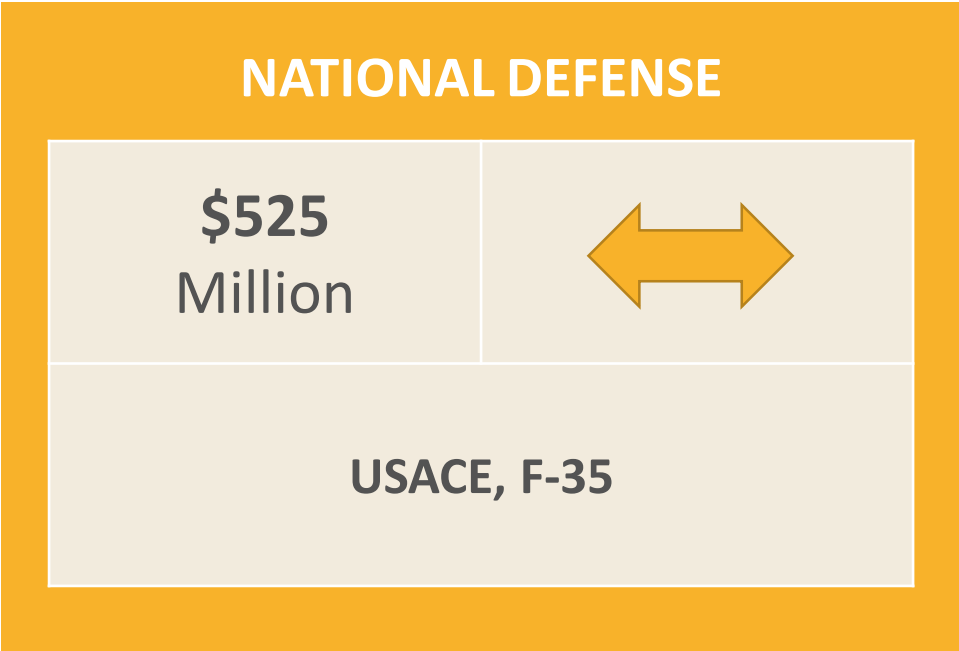


Runway and terminal improvements,
resurfacing, harbor maintenance and
refurbishment, track
rehabilitation/improvements

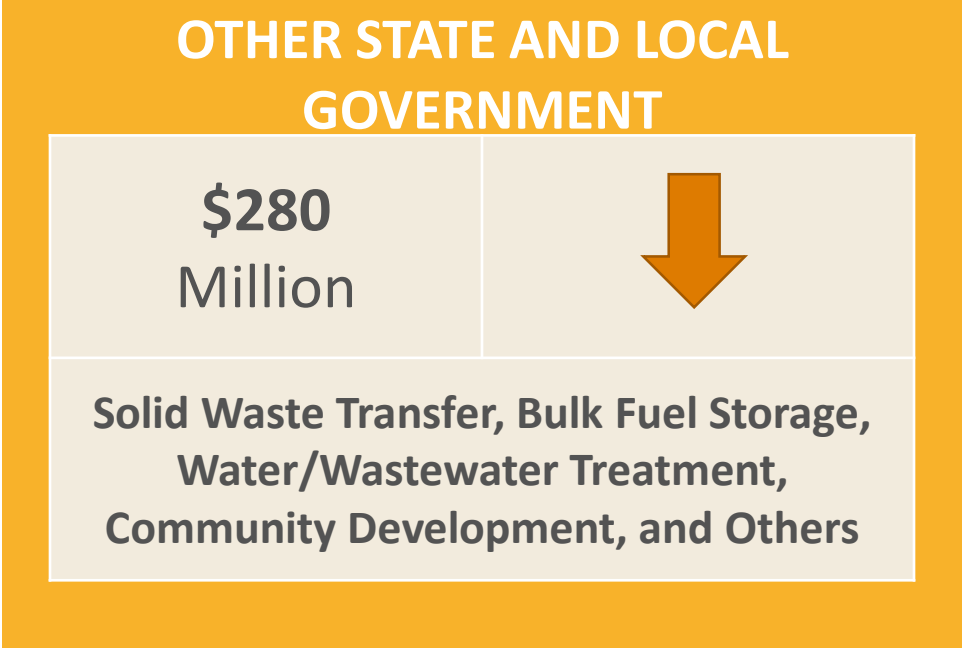
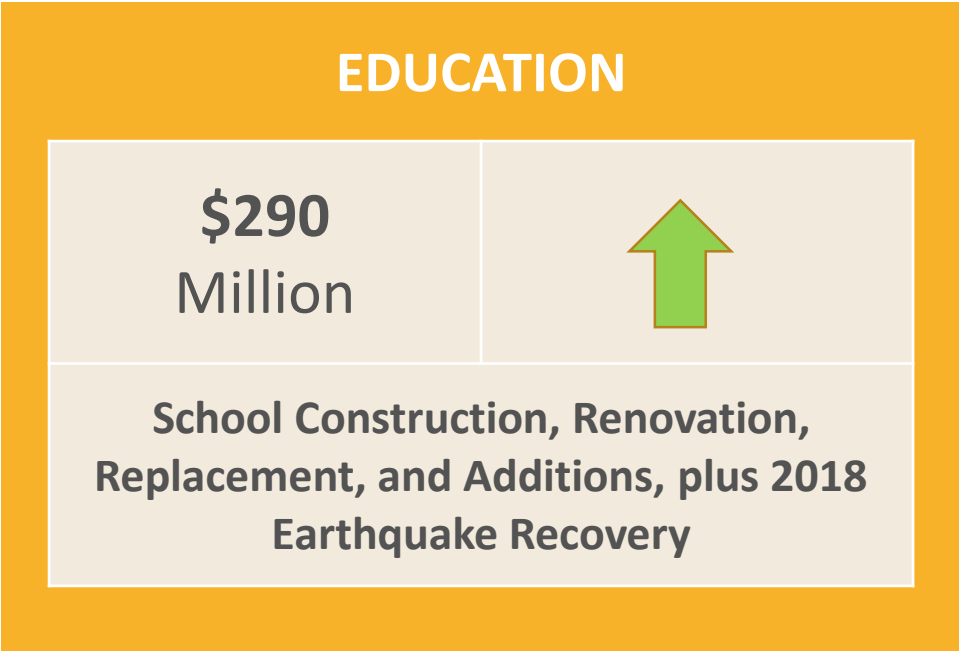


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NATIONAL DEFENSE AND OTHER FEDERAL GOVERNMENT SPENDING



EDUCATION AND OTHER STATE/LOCAL GOVERNMENT



IN SUMMARY



THE BIG TAKEAWAYS

1

24,000 construction jobs, earning **\$2.3 B**
(**81%** Alaska Resident Hire and **86%** Alaska Resident Wages Paid)

2

Total Economic Impact of Industry:
42,000 jobs
(**9%** of Alaska's jobs)
\$3.4 B
(**10%** of Alaska earnings)

3

Oil prices and COVID-19 have significantly impacted Alaska's construction activity and construction companies

4

\$4.3 B in construction spending in 2021, down from 2020

Bright spots include utilities and education



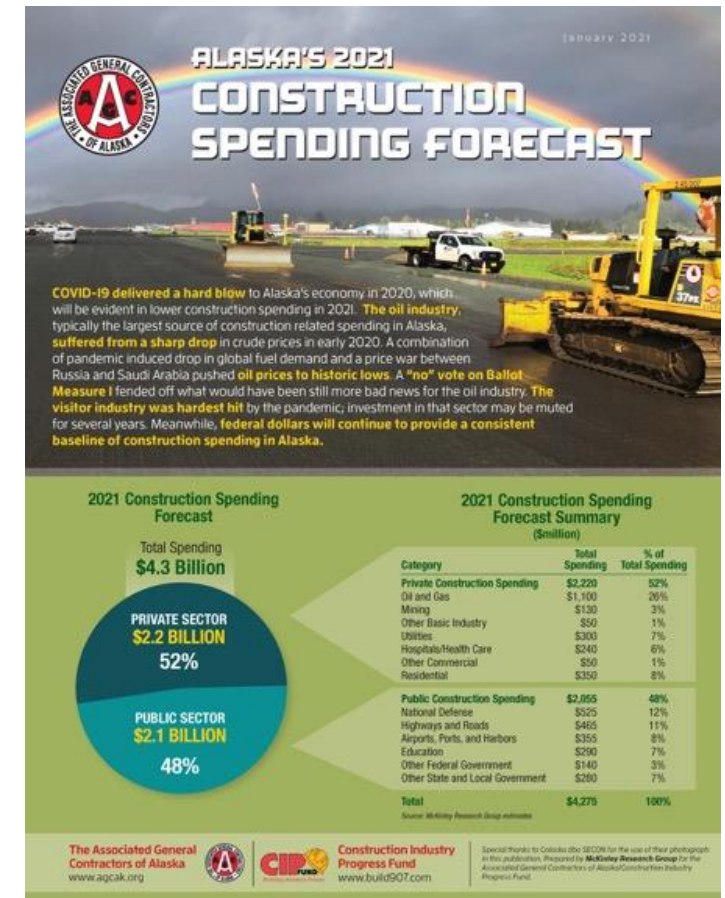
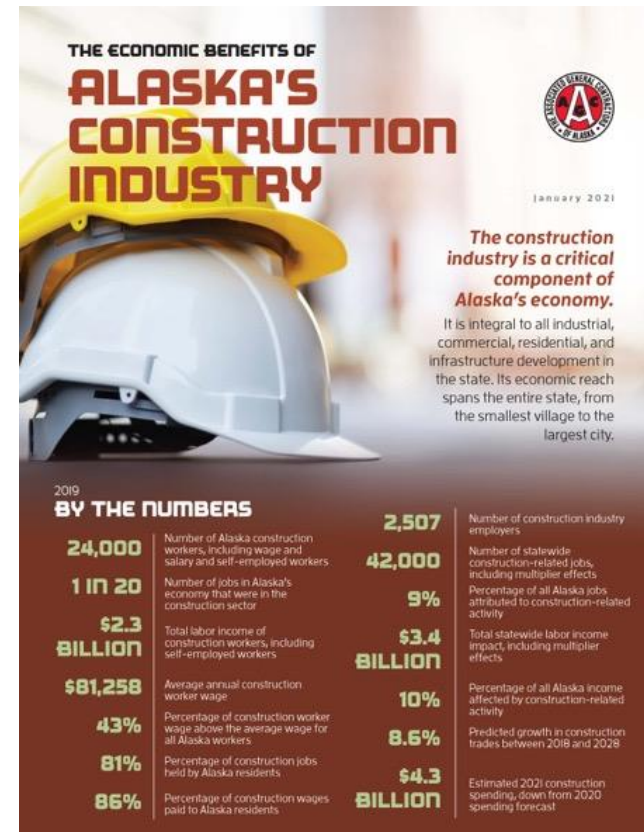
Want to know more?

Download the Economic Benefit Report and Construction Spending Forecast:

www.agcak.org



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Thank you!



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