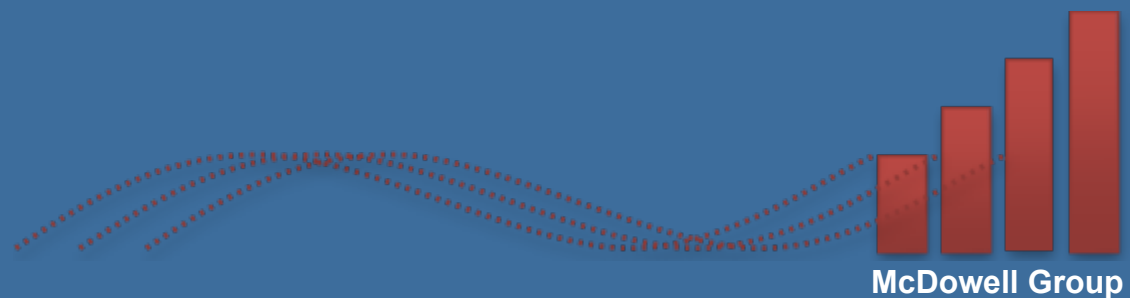


# What Drives Southeast's Economy? Developing an Economic Base Model

Prepared for:  
**Southeast Conference**

Prepared by:  
McDowell Group, Inc.  
Juneau · Anchorage  
September 2011

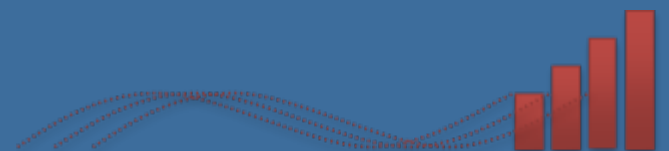


# Why a new modeling tool for the SE economy?

- ◆ Published data doesn't tell us much
  - ◆ *Nothing gives us a clear, complete picture*
- ◆ A new model can...
  - ◆ *Provide a better understanding of what drives the economy*
  - ◆ *Provide the tools to measure the impact of ED projects and programs*

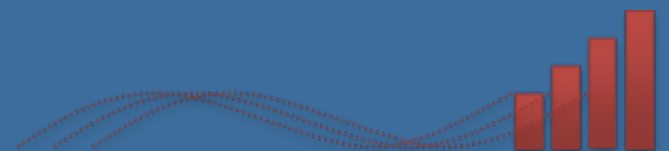
# The modeling challenges...

- ◆ 70,000 residents in 34 communities spread over 25,000 square miles
- ◆ Widely varied community socioeconomic
- ◆ Complex inter-community economic relationships
- ◆ Porous economic borders (imports, exports, Non-Resident participation)

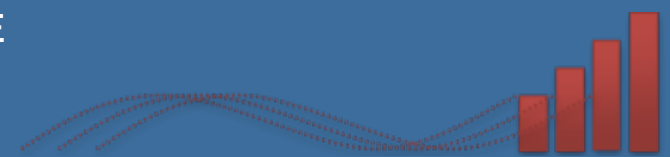
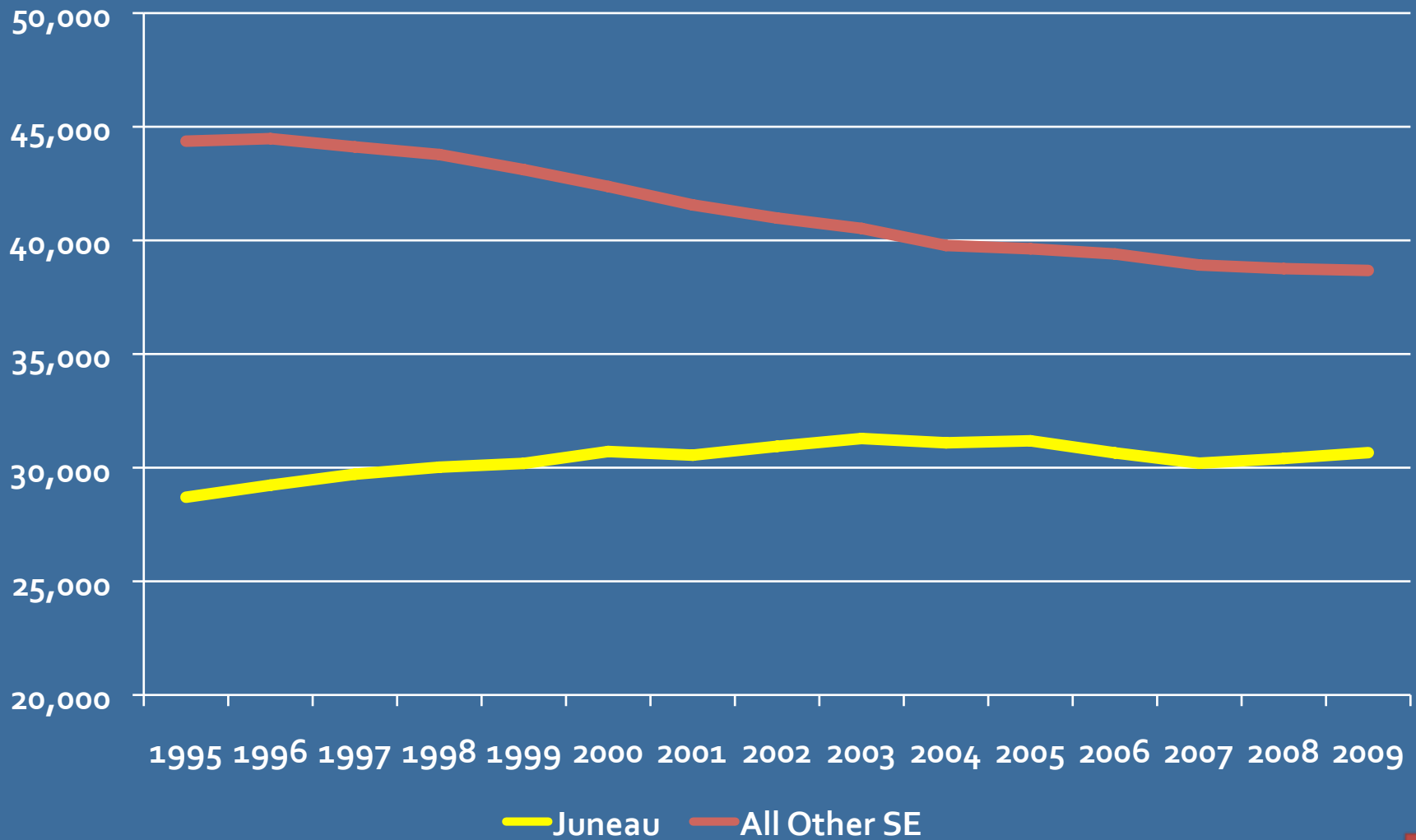


# Traditional measures of the economy's size and strength

- ◆ Population
- ◆ Employment and payroll
- ◆ Personal income
- ◆ Output (model based)

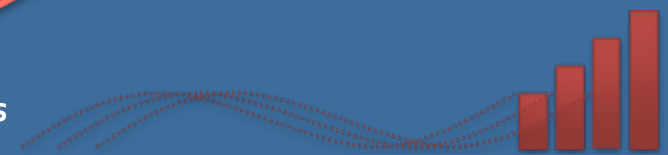
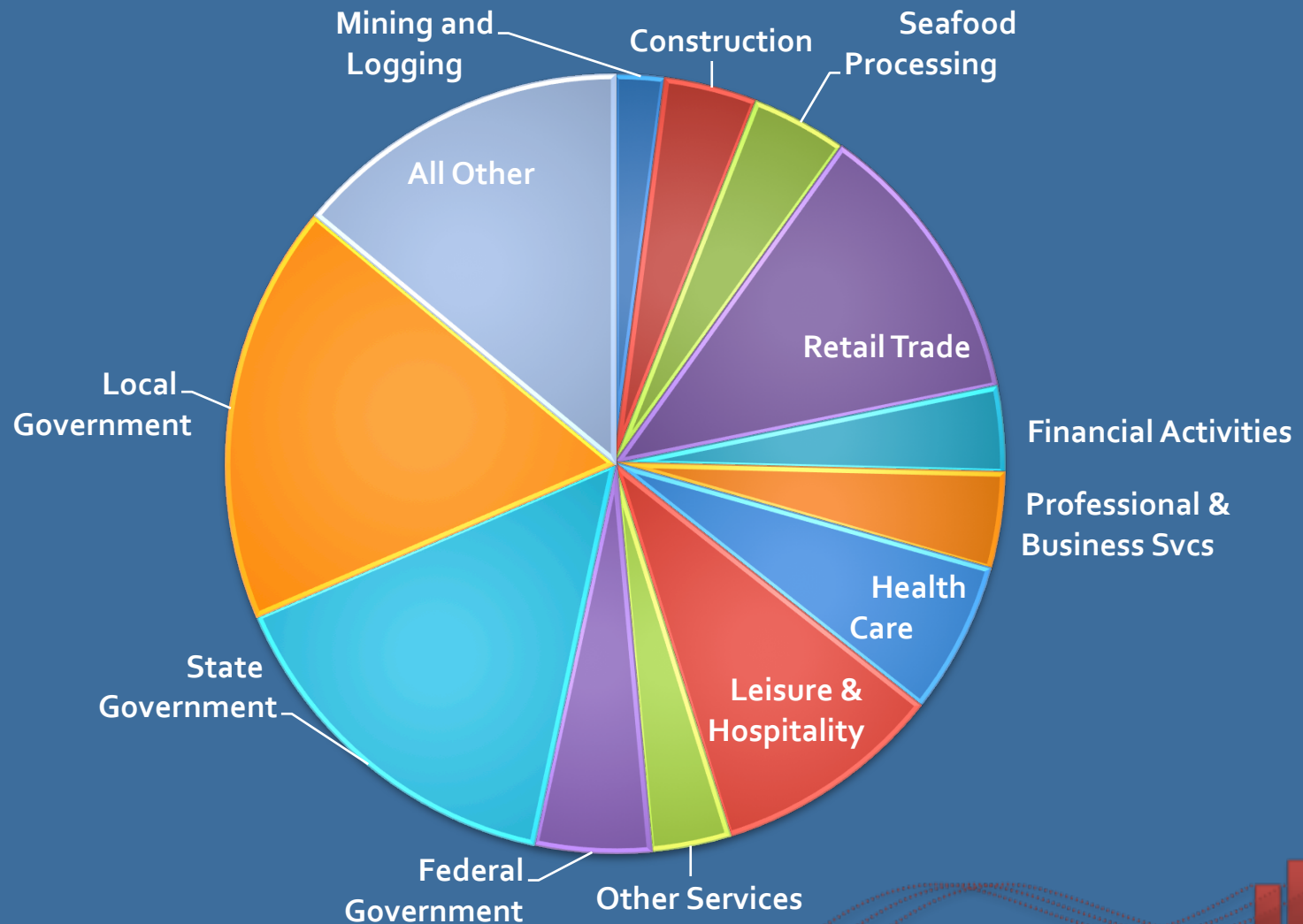


# SE Population 1995 - 2009



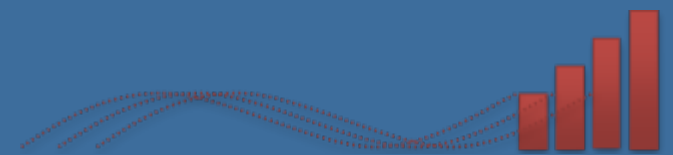
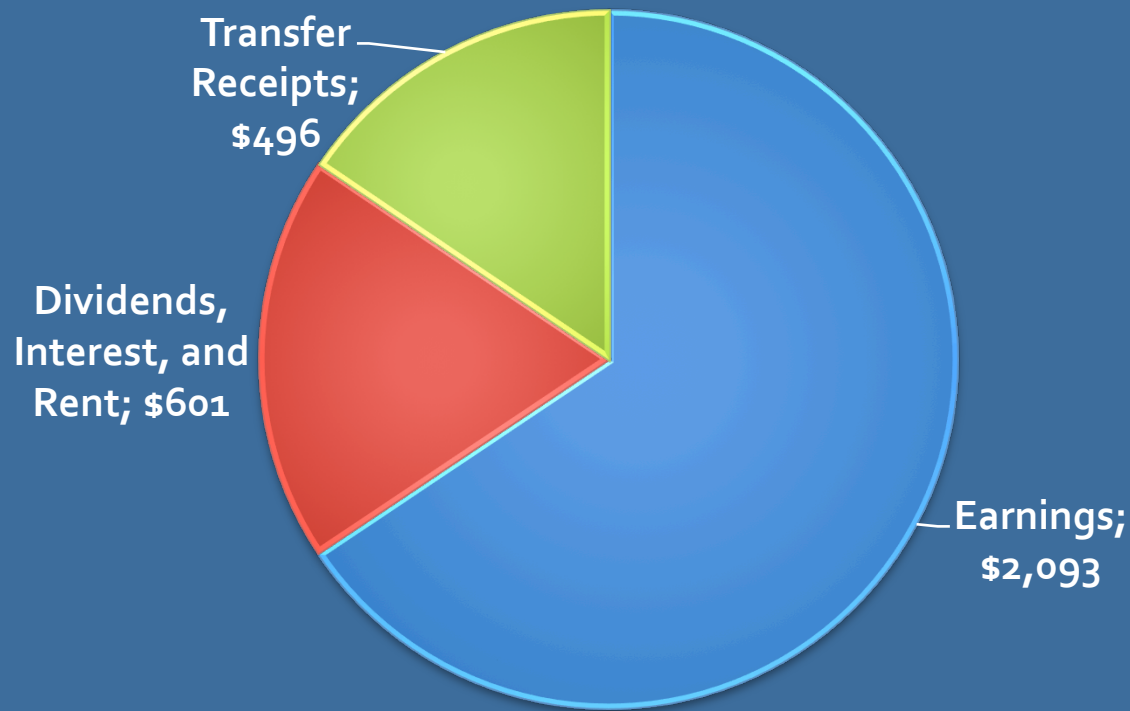
# How big is Southeast Alaska's Economy?

## About 36,400 jobs and \$1.5 billion in payroll



# How big is Southeast Alaska's Economy?

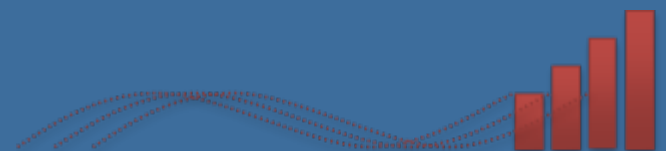
## About \$3.2 Billion in Personal Income



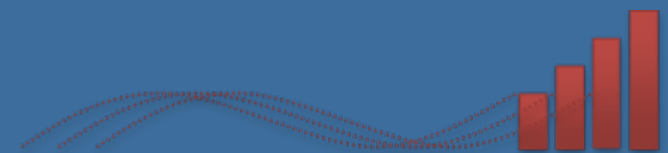
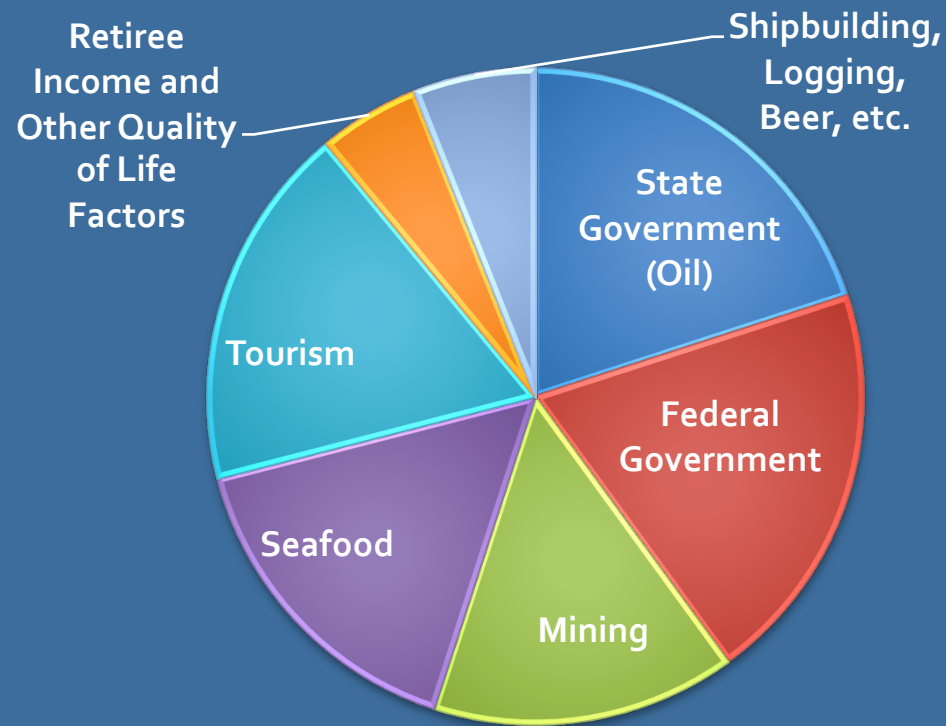


# An “Economic Base” Model

- ◆ *Reflects where the money comes from...*
  - ◆ We draw money into the regional economy by exporting a product or service to an outside market
    - ◆ Seafood
    - ◆ Minerals
    - ◆ Forest products
    - ◆ The “visitor experience”
    - ◆ Management of national assets (the Tongass) and programs
    - ◆ Management of state government programs and services
      - ◆ (oil and federal \$)

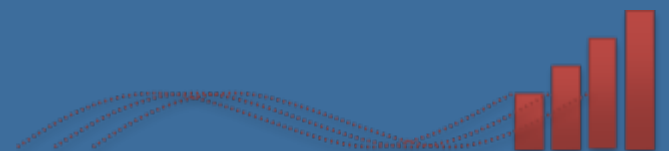


# What is the region's economic base? Where does the money come from?



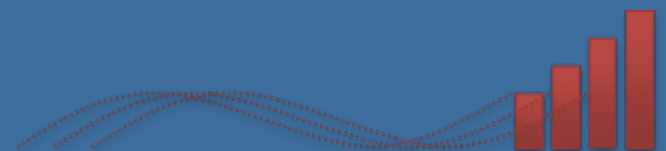
## But we need to know more than where the money comes from...

- ◆ How does the money flow through the regional economy? How/where is it spent? And re-spent?
- ◆ A mining dollar is not the same as a federal dollar or tourist dollar
- ◆ The “multiplier effect”



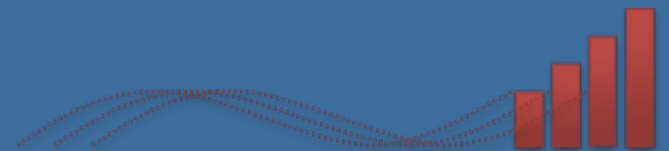
# What's a Multiplier?

- ◆ Measure direct, indirect and induced economic activity
  - ◆ *Direct*: jobs and income generated at the shipyard
  - ◆ *Indirect*: jobs and income generated by ASD spending on goods and services
  - ◆ *Induced*: Jobs and income generated by employees spending their payroll dollars

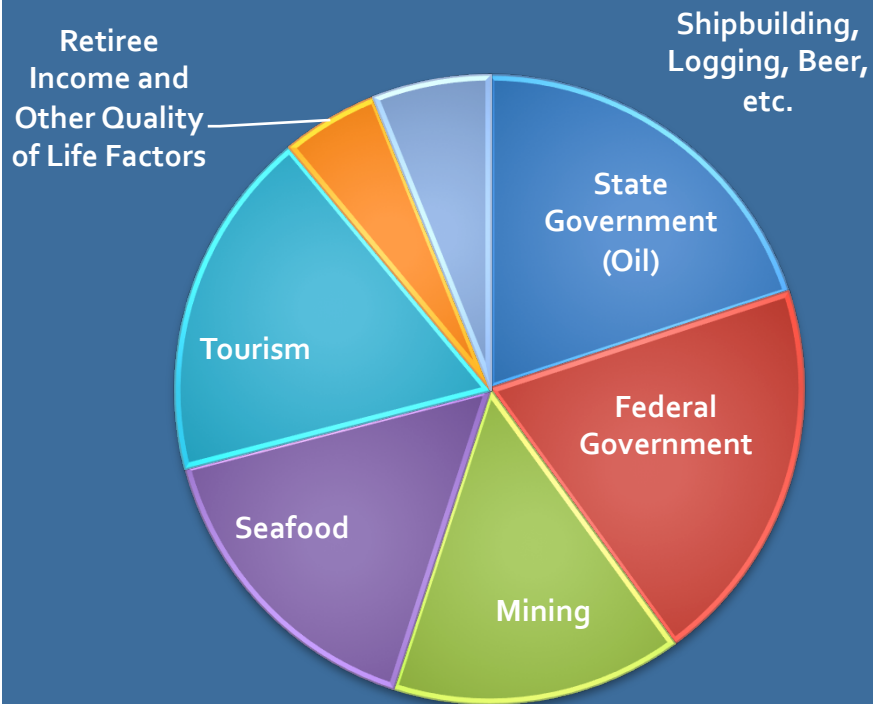


# More about multipliers

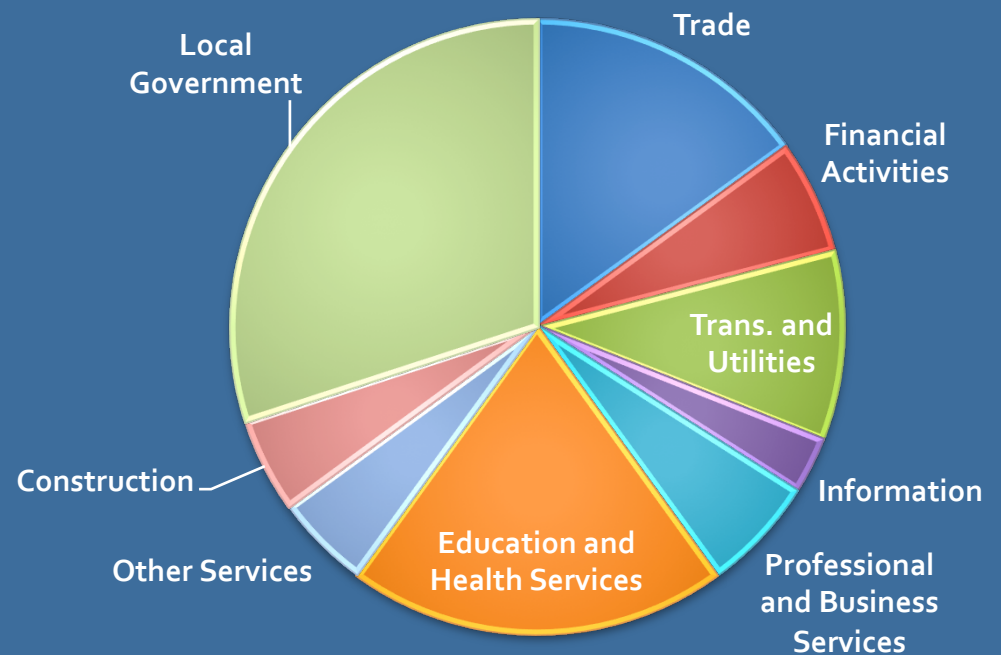
- ◆ Low multipliers in Alaska
- ◆ Factors include location, service and supply needs, workforce residency and wages, taxes
- ◆ MG's work in tourism, fishing/seafood, mining, forest products, marine services, etc., is an advantage



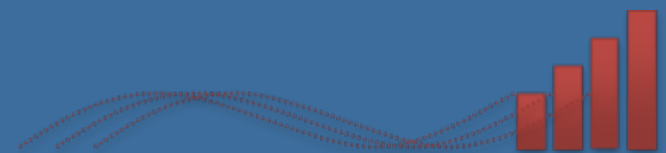
# Basic and Support Sectors



Basic Sectors

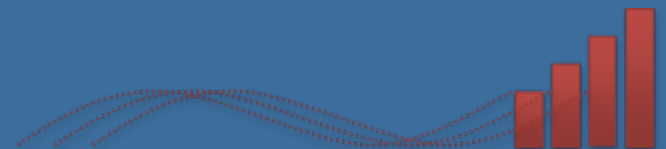


Support Sectors



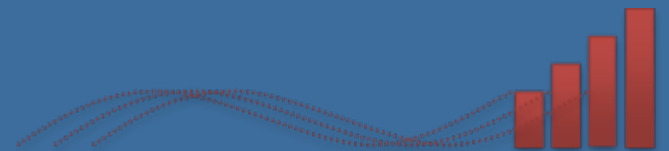
# Economic base modeling and economic development

- ◆ *Three ways to make an economy grow*
  - ◆ **Grow the economic base**
    - ◆ Sell more fish, serve more visitors, mine more gold
    - ◆ Add value to what we already produce
  - ◆ **Reduce the cost of doing business**
    - ◆ Infrastructure development
  - ◆ **Increase the multiplier**
    - ◆ Reduce the “leakage”



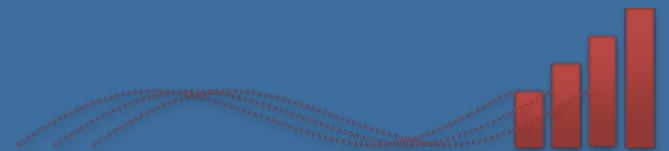
# Three forms of economic development

- ◆ Some development does all three, such as KSY:
  - ◆ *Draws new money into the region*
    - ◆ Chevron fueling station, M/V Susitna
  - ◆ *Reduces the cost of doing business*
    - ◆ For Alaska-based vessel owners
  - ◆ *Reduces leakage (increases the multiplier for other sectors)*
    - ◆ AMHS maintenance (and construction?)
    - ◆ Regional fleet service (otherwise goes to Seattle)



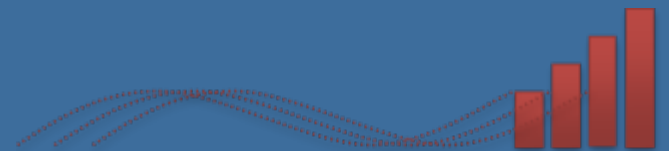
# The Southeast Economic Base Model...

- ◆ Will include building and maintaining a regional economic indicators data base
  - ◆ Including a variety of regional and local indicators
  - ◆ Allowing us to track progress to our economic development goals



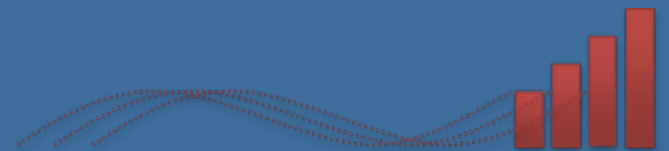
# How do we measure economic development success? What's the goal?

- ◆ Population growth?
- ◆ Job growth? (all jobs, or just for residents? Year-round and seasonal?)
- ◆ Income growth? (total, per capita, excl. transfers?)
- ◆ Lower cost of living?
- ◆ Standard of living?



# In summary, a SE base model can help us...

- ◆ Better understand our economy
- ◆ Measure the potential benefits of ED programs and projects
- ◆ Aid in benefit/cost analysis
- ◆ Track progress towards our goals



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