

2017
**ANNUAL BUSINESS
CONFIDENCE INDEX**
REPORT

SPONSORED BY:



BLUE CROSS BLUE SHIELD OF ALASKA

We know the territory.

PRESENTED BY:



PREPARED BY:



Summary of Key Findings	4
Business Confidence Indices.....	4
Expectations for 2017	6
Barriers to Business Growth.....	7
Important Issues Affecting Anchorage’s Economy.....	7
Business Support for an Anchorage Sales Tax.....	8
State’s Long-Term Fiscal Stability	8
Introduction and Methodology	8
2016 Business Performance	8
Expectations for Business in 2017	9
Gross Sales/Annual Operating Budget	9
Net Profits	10
Employment.....	10
Capital Expenditures.....	11
Barriers to Business Growth	11
Capital Improvement Plans	14
Expectations for the Economy in 2017	14
Anchorage Economy.....	14
Alaska Economy.....	15
Importance of Issues for the Economy	16
Taxes and Fiscal Stability	20
Business Support for an Anchorage Sales Tax.....	20
State’s Long-Term Fiscal Stability	20
Respondent Characteristics	21
Business Sector	21
Organization Size.....	22
Current and Peak Employment.....	22
Business/Industry Organization Membership	23
Appendix: Verbatim Responses	24

Summary of Key Findings

Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group, an Alaska research firm, to conduct the ninth annual AEDC Business Confidence Index (BCI) Survey. The purpose of this survey is to assess business conditions in the Anchorage area and measure Anchorage business confidence entering 2017. The survey was fielded from November 15 to December 23, 2016. Online responses from 304 businesses and organizations in Anchorage and Chugiak/Eagle River were analyzed and modeled to produce business confidence indices. Key findings are highlighted below.

BUSINESS CONFIDENCE INDICES

With a maximum score of 100, an index above 50 indicates a generally optimistic outlook while below 50 indicates a generally pessimistic view.

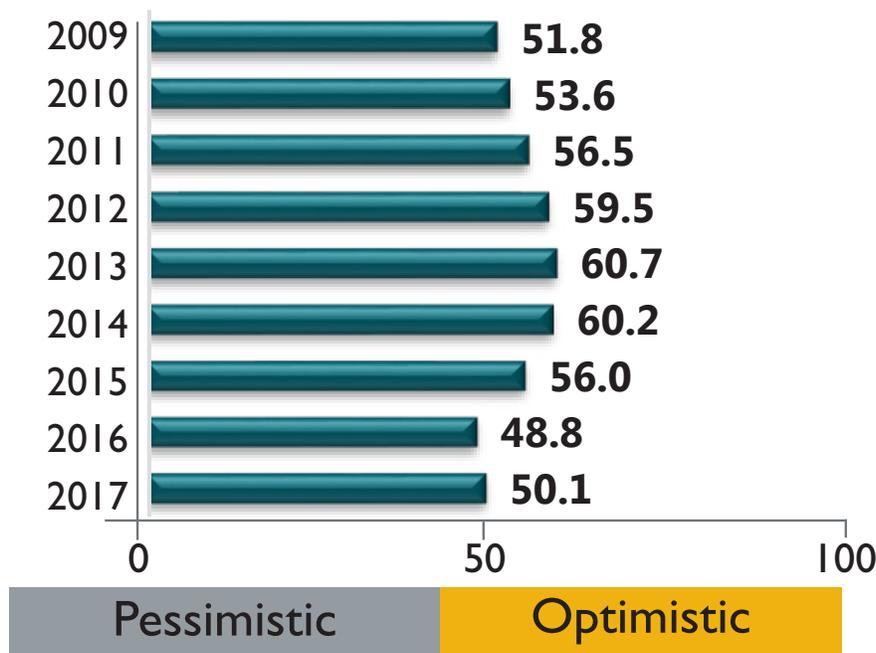
Five of the six indices have shifted upward slightly since those reported in January 2016, though it should be noted the January 2016 indices were all record lows since the survey started in 2009. The only index to decrease from January 2016 was employment (down 1 point). Only the Anchorage Economy Index is below 50 (suggesting pessimism), all other indices are above the 50 mark.

Comparing all indices to last year's results, expectations for 2017 are:

- Higher for the AEDC Business Confidence Index, 1.3 points to 50.1
- Higher for Gross Sales Index, 2.8 points to 57.6
- Higher for Net Profits Index, 2.3 points to 56.6
- Higher for Capital Expenditures Index, 1.3 points to 50.5
- Higher for the Anchorage Economy Index, 0.9 points to 33.7
- Lower for Employment Index, 1.0 point to 52.3

The following charts compare the indices for each annual AEDC BCI survey conducted since 2009.

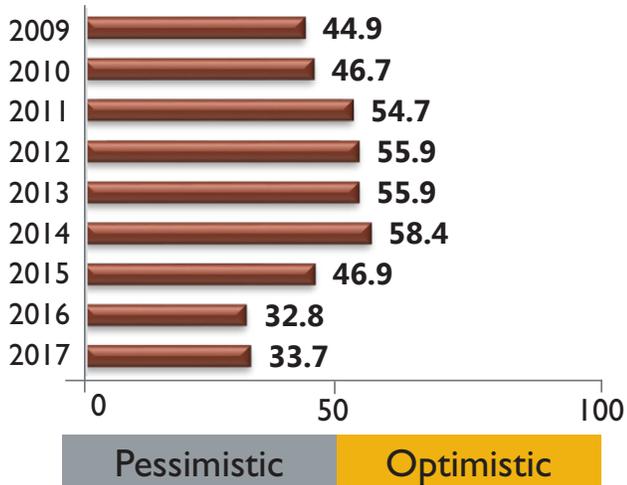
Composite Business Confidence Index, 2009 - 2017
(0 - Large Decrease, 50 - No Change, 100 - Large Increase)



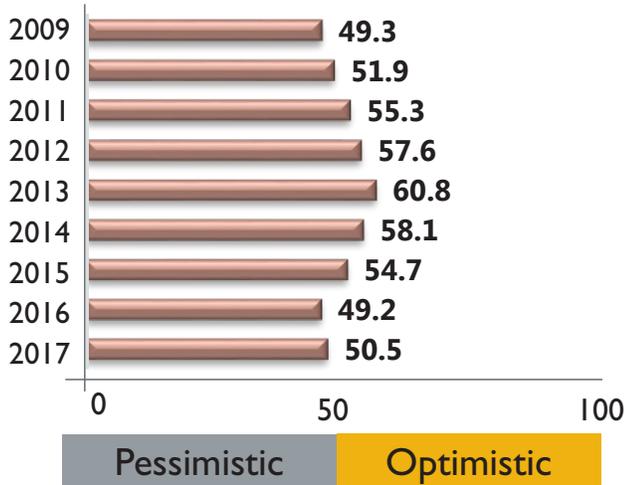
Anchorage Economy, Capital Expenditures, Employment, Net Profits and Gross Sales Business Confidence Indices, 2009-2017

(0 - Large Decrease, 50 - No Change, 100 - Large Increase)

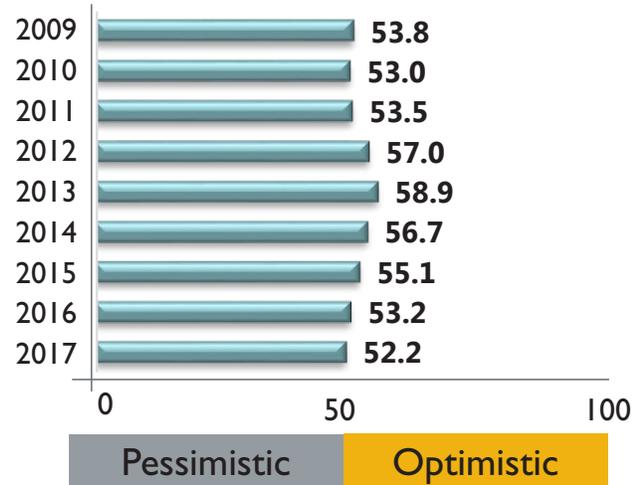
Anchorage Economy



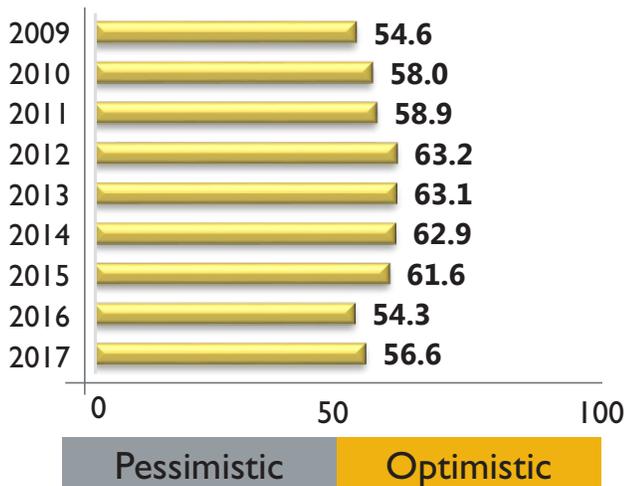
Capital Expenditures



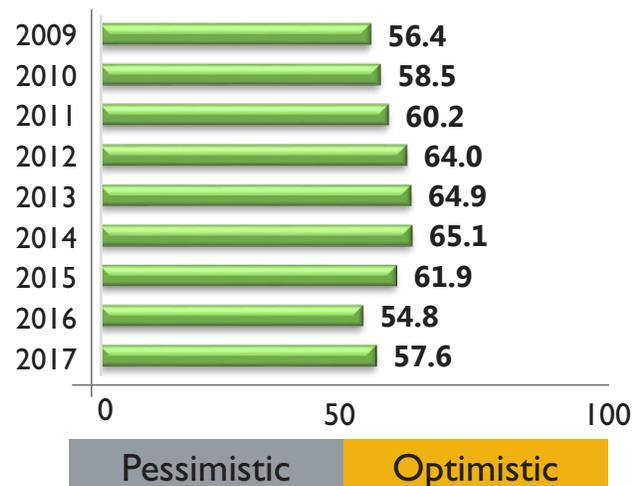
Employment



Net Profits



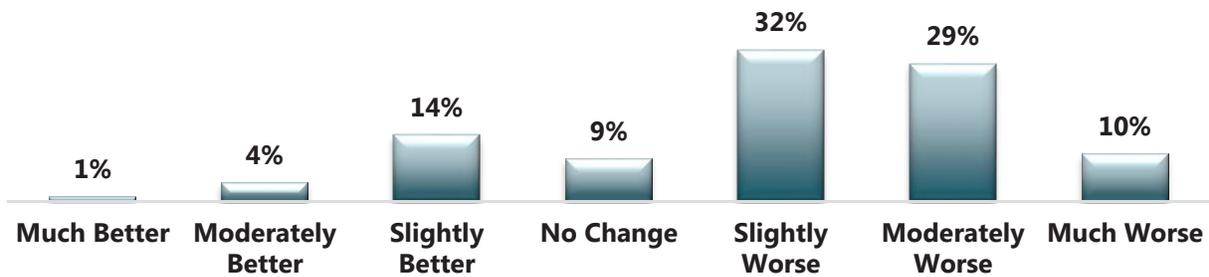
Gross Sales



ANCHORAGE ECONOMY

While business optimism about the overall Anchorage economy remains low, there was an increase in the percentage of business respondents that expect the economy to fare better in the coming year. Last year less than 11 percent of respondents expected the economy to fare better, this year 18 percent expected it to fare better (much, moderately, or slightly combined). Seventy percent of respondents expect the Anchorage economy to be worse in 2017, down from 78 percent of respondents expecting 2016 to be worse than 2015.

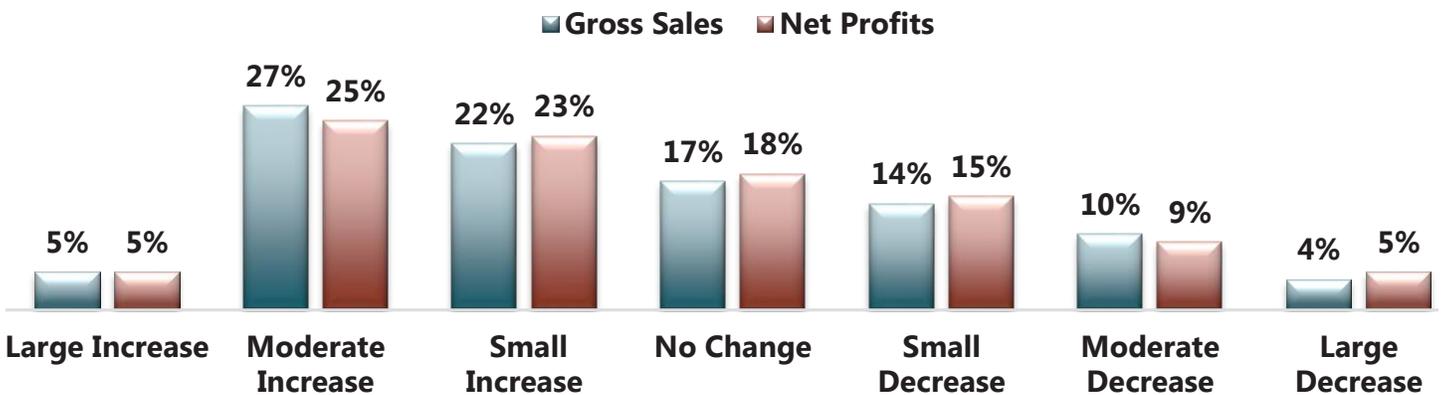
How do you think the Municipality of Anchorage economy will fare in 2017 compared to 2016?



GROSS SALES AND NET PROFITS

Over half of Anchorage business respondents expect both their gross sales and net profits to increase in 2017 (large, moderate and small increase combined).

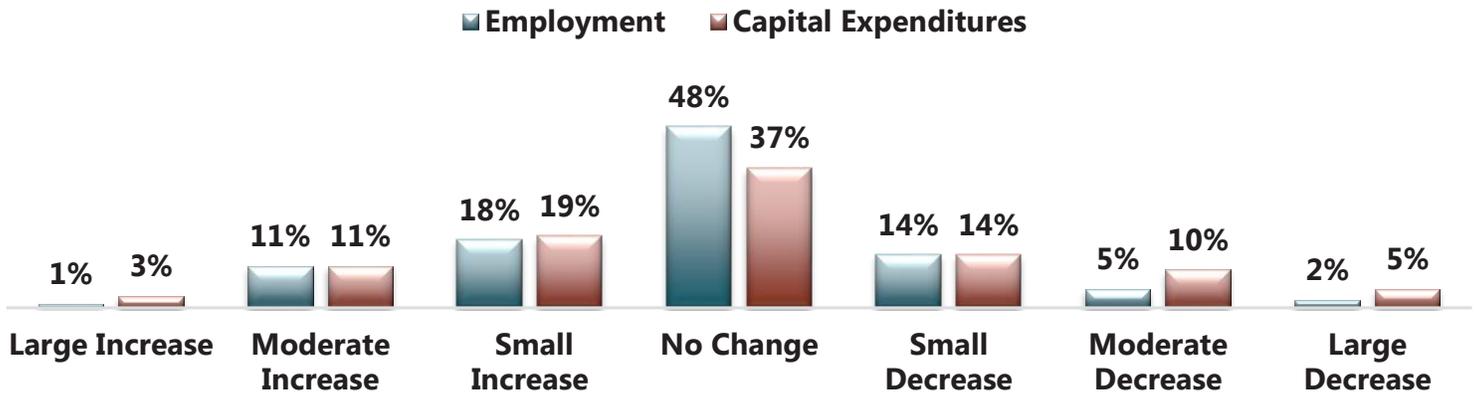
Expectations for Gross Sales and Net Profits in 2017



EMPLOYMENT AND CAPITAL EXPENDITURES

Approximately one-third of business respondents expect increases in both their employment in 2017 (30 percent) and capital expenditures (33 percent). These results are both lower than last year's results when 36 percent projected an increase in employment and 34 percent an increase in capital expenditures.

Expectations for Gross Sales and Net Profits in 2017



BARRIERS TO BUSINESS GROWTH

The top barrier facing Anchorage business respondents is the condition of the state's economy (53 percent of respondents indicating the barrier is "significant" to their organization's growth). Health insurance was reported as the second top "significant" barrier (38 percent). These have been the same top barriers the past two years, and have increased from last year (51 and 31 percent, respectively).

When responses are combined that identify "significant" and "moderate" barriers, the top issues creating business barriers include:

- The condition of the state economy (87 percent)
- Health insurance (67 percent)
- Condition of the national economy (61 percent)

IMPORTANT ISSUES AFFECTING ANCHORAGE'S ECONOMY

When asked what was the "most important" issue to the Anchorage economy, the sustainability of the State operating budget was rated most important by 25 percent of business respondents, followed by declining North Slope oil production (19 percent). These are the same top two as last year.

BUSINESS SUPPORT FOR AN ANCHORAGE SALES TAX

When businesses were asked if they support the establishment of a municipal sales tax, 60 percent of business respondents indicated they favor a sales tax to offset business and residential property taxes, compared to 68 percent who supported a sales tax last year.

STATE'S LONG-TERM FISCAL STABILITY

All business respondents agreed (strongly agree and agree combined) with the following statement, “The only reasonable solution to achieve long-term fiscal stability for the State of Alaska is a measured combination of cuts, new revenues, and growth.”

Introduction and Methodology

Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group for the ninth year to conduct the annual Business Confidence Index (BCI) survey of businesses and organizations in the Municipality of Anchorage. The purpose of the survey is to identify various factors that affect Anchorage businesses and the overall economy to assess business confidence.

The online survey was conducted between November 15 and December 23, 2016. Respondents were asked a series of questions regarding their organization’s business performance in 2016 compared to 2015, expectations for 2017, perceived barriers to growth, importance of various projects and issues to the Anchorage economy, and their opinion of the overall economies in Anchorage and Alaska. Most of the questions were unchanged from prior surveys, allowing some results to be benchmarked.

This year, a total of 304 businesses and organizations completed the survey. Businesses involved in professional services, finance/insurance/real estate, nonprofits, engineering/architecture, and media/communications had the highest levels of participation.

A business confidence index model was designed to gauge expectations about the overall Anchorage economy, gross sales, net profits, employment, and capital expenditures. The index, with a possible maximum of 100, indicates a positive outlook above 50 and a negative outlook below 50.

2016 Business Performance

- When business respondents were asked how net profits compared from 2016 to 2015, 46 percent reported an increase (small, moderate, and large increase combined) in net profits. This is a decline from last year’s results of 53 percent reporting an increase.
- Forty-one percent reported a decrease (small, moderate, and large decrease combined) in net profits, up from last year’s result of 34 percent of respondents reporting a decrease in net profits.
- Thirteen percent of respondents reported no change in their net profits.

In terms of net profits, how has your business performed in 2016 compared to 2015? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Large increase	4	5	8	6	10	8	6	6	12
Moderate increase	22	21	29	24	25	23	20	15	30
Small increase	20	27	24	35	21	26	30	21	23
No change	13	13	12	12	15	19	9	13	12
Small decrease	16	16	14	12	15	12	16	17	13
Moderate decrease	14	13	9	9	9	7	10	18	2
Large decrease	11	5	4	2	4	6	8	10	8

Note: Results re-calculated to remove “not applicable” responses. Due to rounding, some columns may not add up to 100 percent.

Expectations for Business in 2017

GROSS SALES/ANNUAL OPERATING BUDGET

- Over half of business respondents (54 percent) expect an increase (small, moderate, and large increase combined) of their gross sales or annual operating budgets in 2017; over one-quarter (27 percent) expect a moderate increase (up from 19 percent in 2015).
- Over one-quarter (28 percent) of business respondents expect a decrease (small, moderate, and large decrease combined) in their gross sales or annual operating budgets in 2017, and 17 percent expect no change.

In terms of gross sales/annual operating budget, how do you expect your organization to perform in 2017 compared to 2016? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Moderate increase	27	19	26	27	33	26	22	22	26
Small increase	22	26	34	42	37	38	38	32	27
No change	17	18	17	14	15	19	21	15	8
Small decrease	14	17	10	9	6	8	10	13	17
Moderate decrease	10	11	5	3	4	2	3	10	15
Large decrease	4	3	3	1	3	2	4	4	2

Note: Results re-calculated to remove “not applicable” responses. Due to rounding, some columns may not add up to 100 percent.

NET PROFITS

- Over half (53 percent) of business respondents expect an increase (small, moderate, and large increase combined) in their net profits in 2017; one-quarter (25 percent) expect a moderate increase (up from 19 percent in 2015).
- More than one-quarter (29 percent) of business respondents expect a decrease (small, moderate, and large decrease combined) in net profits.

In terms of net profits, how do you expect your organization to perform in 2017 compared to 2016? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Large increase	5	2	4	3	2	4	2	4	5
Moderate increase	25	19	27	24	23	23	20	24	20
Small increase	23	28	32	41	43	39	38	30	23
No change	18	23	18	15	20	19	22	18	15
Small decrease	15	15	12	11	7	10	10	12	21
Moderate decrease	9	9	6	4	5	2	4	9	14
Large decrease	5	4	2	1	-	2	4	4	1

Note: Results re-calculated to remove “not applicable” responses. Due to rounding, some columns may not add up to 100 percent.

EMPLOYMENT

- Thirty percent of business respondents expect to hire more workers in 2017 (small, moderate, and large increase combined), while 21 percent expect a decrease in their hiring (small, moderate, and large decrease combined). Nearly half (48 percent) expect no change in their employment levels in 2017.

In terms of employment, how do you expect your organization to perform in 2017 compared to 2016?

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Large increase	1	2	2	1	2	2	-	2	3
Moderate increase	11	10	11	11	11	11	9	7	13
Small increase	18	24	28	33	39	32	25	24	23
No change	48	43	44	41	39	43	49	49	35
Small decrease	14	12	11	8	6	10	12	11	20
Moderate decrease	5	7	3	4	2	2	2	4	6
Large decrease	2	2	3	1	<1	1	2	2	1

Note: Results re-calculated to remove “not applicable” responses. Due to rounding, some columns may not add up to 100 percent.

CAPITAL EXPENDITURES

- One-third (33 percent) of business respondents expect to increase their capital expenditures in 2017 (small, moderate, and large increase combined), with 19 percent expecting small increases.
- Over one-third (37 percent) of respondents expect no change in their capital expenditures in 2017, while 29 percent expect a decrease (small, moderate, and large decrease combined).

In terms of capital expenditure, how do you expect your organization to perform in 2017 compared to 2016? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Large increase	3	3	5	7	7	5	3	4	5
Moderate increase	11	9	14	14	18	12	12	8	10
Small increase	19	22	23	29	27	28	31	23	22
No change	37	34	38	35	35	43	37	42	28
Small decrease	14	17	7	8	7	8	7	9	16
Moderate decrease	10	8	6	3	4	4	5	8	10
Large decrease	5	7	6	5	2	2	5	5	8

Note: Results re-calculated to remove “not applicable” responses. Due to rounding, some columns may not add up to 100 percent.

Barriers to Business Growth

Respondents were asked to rate a list of potential barriers to business growth as either significant, moderate, not a barrier, or not applicable.

- Over half (53 percent) of business respondents rated the condition of the state economy as a “significant” barrier to their growth.
- When “significant” and “moderate” ratings were combined, the top barriers to growth are as follows: the condition of the state economy (87 percent); health insurance (67 percent); condition of the national economy (61 percent); availability of professional/technical workforce (58 percent); cost of labor (56 percent), and energy prices (55 percent).
- “Other” barriers (or comments) mentioned by respondents are listed in the Appendix.

To what extent are the following factors a barrier to your organization's growth? (results in percent)

	Significant barrier	Moderate barrier	Significant/Moderate Combined	Not a barrier	Not applicable
Condition of the state economy	53	34	87	11	2
Health insurance	38	29	67	26	8
Condition of the national economy	16	45	61	36	3
Availability of professional/technical workforce	15	43	58	34	7
Cost of labor	13	43	56	39	5
Energy prices	20	35	55	40	6
Federal regulations	22	26	48	44	9
Job readiness of entry-level workforce	13	34	47	45	8
Availability of semi-skilled workforce	8	35	43	48	9
State regulations	13	28	41	51	8
Public safety in Anchorage	9	27	36	55	9
Access to capital	13	22	35	53	12
Municipality of Anchorage regulations	10	25	35	57	8
Federal taxes	10	25	35	55	10
Affordability of quality housing	9	25	34	53	12
Workers' Compensation insurance	8	26	34	56	10
Cost of commercial lease/rental property	7	27	34	52	14
Transportation linkages with suppliers and markets	7	22	29	53	18
Municipality of Anchorage taxes	6	18	24	67	9
State taxes	6	15	21	63	16
Availability of industrial/commercial/office space	5	13	18	64	18
Commercial development of Anchorage International Airport properties	3	8	11	60	29

Notes: Due to rounding, some rows may not add up to 100 percent.

To what extent are the following factors a barrier to your organization's growth?
 ("Significant barriers" only - results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Condition of the state economy	53	51	33	27	*	*	*	*	*
Health insurance	38	31	31	36	29	23	34	27	*
Federal regulations	22	24	25	36	28	25	29	21	19
Energy prices	20	21	15	9	15	15	12	12	23
Condition of the national economy	16	12	16	28	*	*	*	*	*
Availability of professional/technical workforce	15	16	26	24	19	15	12	10	19
Cost of labor	13	11	15	11	*	*	*	*	*
Job readiness of entry-level workforce	13	13	14	16	9	11	7	7	5
State regulations	13	12	12	18	13	12	10	9	18
Access to capital	13	11	8	10	10	8	13	16	12
Municipality of Anchorage regulations	10	14	12	10	7	6	9	6	10
Federal taxes	10	13	15	13	7	9	9	11	13
Affordability of quality housing	9	14	*	*	*	*	*	*	*
Public safety in Anchorage	9	6	5	*	*	*	*	*	*
Availability of semi-skilled workforce	8	13	13	18	6	4	5	6	3
Workers' Compensation insurance	8	11	9	13	8	12	14	11	*
Cost of commercial lease/rental property	7	9	10	9	7	10	10	8	9
Transportation linkages with suppliers and markets	7	7	9	8	6	10	5	7	6
Municipality of Anchorage taxes	6	7	6	6	4	4	10	6	8
State taxes	6	6	5	7	7	6	6	6	10
Availability of industrial/commercial/office space	5	3	*	*	*	*	*	*	*
Commercial development of Anchorage International Airport properties	3	2	*	*	*	*	*	*	*
Energy supply	*	*	8	9	7	8	5	9	*

Notes: * Indicates response not included in the survey that year.

Capital Improvement Plans

- Nearly one-third of business respondents (31 percent) are planning capital improvement projects in the next two years. Of those expecting capital improvements, 67 percent report these improvements will lead to job creation.
- Of the remaining respondents (69 percent) not planning capital improvements, 41 percent reported the recent economic climate affected their development plans.

Are you planning significant capital improvement in the next two years (2017-2018)? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Planning capital improvement	31	27	31	35	43	34	27	31	34
Will create jobs	67	68	78	70	65	71	64	73	74
Will not create jobs	33	32	22	30	35	29	36	27	26
Not planning capital improvement	69	73	69	65	57	66	73	69	66
Recent economic climate did not affect plans	59	60	73	76	88	72	62	69	74
Recent economic climate affected plans	41	40	27	24	12	28	38	31	26

Expectations for the Economy in 2017

ANCHORAGE ECONOMY

- Nearly one-fifth (19 percent) of business respondents think the Anchorage economy will fare better (slightly, moderately, and much better combined) in 2017. While low compared to recent past years, this is an increase from last year when less than 11 percent of respondents thought the Anchorage economy would fare better.
- Twelve percent of respondents reported they think there will be no change in the overall Anchorage economy in 2017.
- Seventy-one percent of respondents think the Anchorage economy will fare worse (slightly, moderately, and much worse combined) in 2017, down from last year when 78 percent thought the Anchorage economy would fare worse.

How do you think the overall Municipality of Anchorage economy will fare next year, compared to this year? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Much better	1	-	1	1	1	-	1	-	3
Moderately better	3	<1	7	11	14	7	8	8	8
Slightly better	14	10	29	47	36	48	39	25	16
No change	12	12	18	22	28	25	27	21	14
Slightly worse	40	48	29	17	19	15	21	32	47
Moderately worse	23	22	12	1	2	3	3	13	11
Much worse	7	8	3	<1	-	2	1	2	1

Note: Due to rounding, some columns may not add up to 100 percent

ALASKA ECONOMY

- When asked how the Alaska economy will fare in 2017, 19 percent of business respondents reported they think the economy will fare better (slightly, moderately, and much better combined). This is an increase from last year when less than 6 percent of respondents thought the Alaska economy would fare better in the coming year.
- Nine percent of respondents think there will be no change in the Alaska economy in 2017.
- Most (71 percent) of the business respondents think the Alaska economy will be worse (slightly, moderately, and much worse combined) in 2017, down from last year's results of 88 percent.

How do you think the overall Alaska economy will fare next year, compared to this year? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Much better	1	-	2	1	2	1	1	-	3
Moderately better	4	<1	8	13	11	8	8	7	5
Slightly better	14	5	25	42	41	42	38	30	13
No change	9	7	15	20	29	26	25	15	14
Slightly worse	32	40	29	20	13	19	23	37	44
Moderately worse	29	36	16	3	4	3	4	10	17
Much worse	10	12	5	1	-	2	2	2	3

Note: Due to rounding, some columns may not add up to 100 percent

Importance of Issues for the Economy

Businesses were asked to rate the importance (very, somewhat, or not important) of various projects and issues to the Anchorage economy.

- Three projects and issues were all listed as important (very and somewhat important combined) to the Anchorage economy. Port of Anchorage improvements, declining North Slope oil production, and community and neighborhood safety all had 96 percent of business respondents list them as important. Port of Anchorage improvements had the highest “very important” percentage (86 percent), followed by declining North Slope oil production (69 percent), and community and neighborhood safety (60 percent).
- Other “very important” issues to the Anchorage economy included: workforce training (63 percent very important), and retaining and expanding Anchorage businesses (53 percent).
- “Other” issues of high importance to respondents not included in the table on the right can be found in the Appendix.

How important do you think the following are for the Municipality of Anchorage economy?

	Very important	Somewhat important	Very/Somewhat Combined	Not important	Don't know
Sustainability of State of Alaska operating budget	86	10	96	2	2
Declining North Slope oil production	69	27	96	2	2
Community and neighborhood safety	60	36	96	3	1
Retaining and expanding existing Anchorage businesses	53	36	89	6	5
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	48	38	86	9	5
Attracting new businesses to Anchorage	43	42	85	12	4
90% Anchorage School District high school graduation rate by 2020	41	43	84	11	5
Port of Anchorage improvements	40	44	84	9	7
Natural gas pipeline from North Slope to Cook Inlet	39	35	74	18	7
Workforce affordable housing	38	48	86	9	4
Entrepreneurship support services	36	43	79	16	5
Outer Continental Shelf oilfield development	36	37	73	17	10
Availability of affordable childcare services	32	47	79	13	8
Workforce training	31	59	90	7	3
Anchorage's road infrastructure	31	54	85	13	3
Creative environments that enhance community livability	31	46	77	18	4
Addressing public inebriation issues	30	52	82	14	4
City parks and trails revitalization	24	49	73	24	3
Upgrade of energy and water/wastewater utility infrastructure	23	53	76	17	8
Live. Work. Play. initiative	22	45	67	25	8
Retaining transitioning veterans in the local workforce	21	56	77	17	6
Donlin Gold Mine Project	17	35	52	28	20
Ship Creek redevelopment	12	42	54	34	12

Note: Due to rounding, some columns may not add up to 100 percent

How important do you think the following are for the Municipality of Anchorage economy? ("Very Important" only)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Port of Anchorage improvements	86	35	33	41	43	43	42	38	49
Declining North Slope oil production	69	83	80	82	*	*	*	*	*
Workforce training	63	32	42	46	41	37	31	39	57
Community and neighborhood safety	60	51	47	54	*	*	*	*	*
Retaining and expanding existing Anchorage businesses	53	56	*	*	*	*	*	*	*
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	48	60	64	73	76	69	73	75	*
Attracting new businesses to Anchorage	43	56	*	*	*	*	*	*	*
90% Anchorage School District high school graduation rate by 2020	41	31	50	54	*	*	*	*	*
Knik Arm Bridge	40	16	21	26	31	24	25	23	20
Natural gas pipeline from North Slope to Cook Inlet	39	61	65	67	62	57	66	66	78
Workforce affordable housing	38	39	56	51	35	22	33	22	*
Outer Continental Shelf oilfield development	36	44	*	*	*	*	*	*	*
Entrepreneurship support services	36	23	*	*	*	*	*	*	*
Availability of affordable childcare services	32	25	*	*	*	*	*	*	*
Anchorage's road infrastructure	31	33	43	*	*	*	*	*	*
Creative environments that enhance community livability	31	27	33	33	*	*	*	*	*
Donlin Gold Mine Project	31	*	*	*	*	*	*	*	*
Addressing public inebriation issues	30	36	*	*	*	*	*	*	*
City parks and trails revitalization	24	17	25	17	*	*	*	*	*
Upgrade of energy and water/wastewater utility infrastructure	23	23	25	30	33	39	35	*	*
Live. Work. Play. initiative	22	20	22	24	*	*	*	*	*
Retaining transitioning veterans in the local workforce	21	22	*	*	*	*	*	*	*
Sustainability of SOA operating budget	17	81	76	73	*	*	*	*	*
Ship Creek redevelopment	12	10	12	14	20	*	*	*	*
Pebble Project	*	21	54	33	35	*	*	*	*
Susitna-Watana Hydroelectric Project	*	*	18	30	37	*	*	*	*
Alaska North Slope Resource Development	*	*	*	*	75	*	*	*	*
Update of Title 21 municipal land use plan	*	*	*	*	17	17	19	16	20
Anchorage neighborhood revitalization	*	*	*	*	16	14	17	17	20
Alaska gas pipeline	*	*	*	*	*	63	74	78	89
Seward Highway to Glenn Highway Connection (H2H)	*	*	*	*	*	23	21	23	29
Beluga whale habitat	*	*	*	*	*	17	24	*	*
Industrial park development	*	*	*	*	*	13	13	18	26
Commuter rail between Anchorage and Mat-Su	*	*	*	*	*	*	*	19	27
Anchorage airport expansion	*	*	*	*	*	*	*	*	40

Note: * Indicates project not included in the survey that year.

- When asked to identify what was the “most important” issue for the Anchorage economy, the sustainability of the State operating budget was rated the most important by 25 percent of business respondents, followed by declining North Slope oil production (19 percent), and retaining and expanding existing Anchorage businesses (8 percent).
- Other issues of high importance to respondents can be found in the Appendix.

Which of the following do you think is most important for the Municipality of Anchorage economy?

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Sustainability of State of Alaska Operating Budget	25	23	12	13	*	*	*	*	*
Declining North Slope oil production	19	20	24	28	31	-	-	-	-
Retaining and expanding existing Anchorage businesses	8	7	*	*	*	*	*	*	*
Attracting new businesses to Anchorage	7	7	*	*	*	*	*	*	*
Reducing property and violent crime rates**	6	*	*	*	*	*	*	*	*
Natural gas pipeline from North Slope to Cook Inlet	5	12	13	16	18	14	18	20	25
Affordable workforce housing	5	4	8	8	8	3	5	2	*
Port of Anchorage expansion	4	2	3	3	8	10	7	4	2
Cook Inlet resource development	3	6	8	9	16	28	16	15	*
Creative environments that enhance community livability	3	3	2	1	*	*	*	*	*
Community and neighborhood safety	2	3	3	1	*	*	*	*	*
Workforce training	2	1	5	5	2	3	2	4	7
90% ASD high school graduation rate	1	-	2	3	*	*	*	*	*
Entrepreneurship support services	1	2	*	*	*	*	*	*	*
Donlin Gold Mine Project	1	*	*	*	*	*	*	*	*
Live. Work. Play. Initiative	1	3	3	1	*	*	*	*	*
Outer Continental Shelf oilfield development	1	3	*	*	*	*	*	*	*
Addressing public inebriation issues	1	<1	*	*	*	*	*	*	*
Upgrade of utility infrastructure	1	<1	1	1	1	3	4	*	*
Ship Creek Redevelopment	<1	<1	1	-	-	*	*	*	*
Availability of affordable childcare services	-	<1	*	*	*	*	*	*	*
Retaining transitioning veterans in the local workforce	-	<1	*	*	*	*	*	*	*
Anchorage’s road infrastructure	-	<1	2	*	*	*	*	*	*
City parks and trails revitalization	-	-	<1	-	*	*	*	*	*
Knik Arm Bridge	**	3	6	7	8	6	5	6	4
Susitna-Watana Hydroelectric Project	*	*	2	<1	2	*	*	*	*
Pebble Project	*	*	4	<1	1	*	*	*	*
Other***	2	3	3	1	4	3	5	4	4

Notes: Due to rounding, some columns may not add up to 100 percent * Indicates project not included in the survey that year. ** Due to a survey design oversight, “Knik Arm Bridge” was not listed as an option for most important. While “reducing property and violent crime rates” was included as an option in this question, it was not included in the previous question regarding the scale of importance. *** Other responses can be found in the Appendix.

BUSINESS SUPPORT FOR AN ANCHORAGE SALES TAX

Fifty-nine percent of business respondents support establishing a Municipal sales tax in Anchorage, down from 68 percent last year.

Do you support establishment of a municipal sales tax to offset business and residential property taxes in Anchorage? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results
Yes	59	68	60	58	54	60
No	41	32	40	42	46	40

STATE’S LONG-TERM FISCAL STABILITY

- All business respondents agreed with the statement: “The only reasonable solution to achieve long-term fiscal stability for the State of Alaska is a measured combination of cuts, new revenues, and growth.”

Please indicate if you strongly agree, agree, disagree or strongly disagree with the following statement: “The only reasonable solution to achieve long-term fiscal stability for the State of Alaska is a measured combination of cuts, new revenues, and growth.” (results in percent)

	2016	2015
Strongly agree	92	66
Agree	8	27
Disagree	-	5
Strongly disagree	-	3

Note: Due to rounding, some columns may not add up to 100 percent

Respondent Characteristics

Respondents self-identified their business/organization sector. The top five sectors represented in this year's survey were professional services, finance/insurance/real estate, nonprofit, engineering/architecture, and media/communication.

What sector best describes your organization? (self-identified)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Professional services	18	16	21	15	12	10	9	12	14
Finance/insurance/real estate	13	12	12	20	9	8	10	9	10
Nonprofit	9	10	11	8	12	13	1	7	6
Engineering/architecture	7	11	8	7	4	7	4	7	11
Media/communication	7	5	4	2	6	4	7	10	5
Wholesale/retail trade	6	6	5	3	6	5	7	4	5
Tourism/hospitality	6	7	6	2	7	5	13	6	7
Transportation	5	5	4	9	7	10	6	5	16
Health care	4	3	5	3	2	3	4	4	2
Alaska Native Corporation	4	3	2	2	2	4	2	*	*
Information technology	4	2	2	2	4	3	2	3	2
Government/military	3	5	2	5	7	2	1	7	3
Arts/education	3	1	2	4	3	5	1	3	1
Construction/maintenance	3	5	4	8	5	3	9	5	4
Manufacturing	3	2	-	1	2	1	3	3	1
Mining/oil production	2	1	2	2	3	4	4	6	9
Mining/oil support services	2	2	2	3	3	2	*	*	*
Utilities	1	3	2	1	3	2	4	3	3
Social services	1	1	<1	-	-	1	*	*	*
Fishing/seafood	-	-	-	<1	-	2	-	-	1
Personal services	-	-	-	-	-	-	-	2	*
Other**	1	<1	3	-	4	7	5	3	3

Notes: * Indicates sector not represented in the survey for that year.

**Other sectors included: building management, fitness, landscape/support services, film production, freelance photography, market research industry and water development conveyance and sales.

Due to rounding, some columns may not add up to 100 percent.

ORGANIZATION SIZE

When asked about their business' gross sales or annual operating budgets, 56 percent of business respondents reported over \$1 million in gross sales or annual operating budgets.

Which of the following categories best describes your organization's annual gross sales or annual operating budget? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Under \$250,000	20	13	16	11	9	16	21	19	10
\$250,000 to \$500,000	10	9	8	6	3	4	9	5	4
\$500,000 to \$1 million	8	9	8	5	10	9	8	8	7
\$1 million to \$5 million	13	25	26	19	20	19	25	20	18
\$5 million to \$10 million	10	7	8	12	11	9	10	7	13
More than \$10 million	33	31	30	41	45	38	26	38	47
Don't know	7	6	5	6	3	5	2	3	3

Note: Due to rounding, some columns may not add up to 100 percent.

CURRENT AND PEAK EMPLOYMENT

Forty-six percent of respondents represent small businesses with fewer than 10 full-time and part-time employees. Nineteen percent of respondents employed 100 or more people in 2016.

How many people (full-time and part-time) do you employ in the Municipality of Anchorage currently? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Under 10	46	43	45	38	31	39	46	42	26
10 to 49	26	31	22	20	27	27	28	26	38
50 to 99	7	6	5	11	12	7	8	9	8
100 to 249	7	10	12	16	12	10	6	9	9
250 to 500	5	4	6	3	10	8	7	6	9
500 or more	8	5	7	11	8	7	5	8	10
Don't know	1	2	2	<1	-	2	1	1	1

Note: Due to rounding, some columns may not add up to 100 percent.

Responses concerning levels of peak employment mirror those for the number of current employees.

How many people (full-time and part-time) do you employ in the Municipality of Anchorage in a peak month? (results in percent)

	Dec. 2016 Survey Results	Dec. 2015 Survey Results	Dec. 2014 Survey Results	Dec. 2013 Survey Results	Dec. 2012 Survey Results	Dec. 2011 Survey Results	Dec. 2010 Survey Results	Dec. 2009 Survey Results	Dec. 2008 Survey Results
Under 10	45	40	42	37	30	39	43	39	23
10 to 49	25	31	24	22	27	26	29	27	38
50 to 99	8	8	7	11	12	8	8	9	10
100 to 249	7	9	10	13	11	10	6	10	10
250 to 500	5	5	7	5	11	9	10	4	8
500 or more	8	5	8	11	9	7	4	9	12
Don't know	2	2	2	<1	-	2	1	1	-

Note: Due to rounding, some columns may not add up to 100 percent.

BUSINESS/INDUSTRY ORGANIZATION MEMBERSHIP

Over half of respondents were members of AEDC and the Anchorage Chamber of Commerce in 2016.

Is your business/organization a member of any of the organizations listed below?
(Self-identified, multiple responses allowed, results in percent)

	Dec. 2016 Survey Results
Anchorage Economic Development Corporation	45
Anchorage Chamber of Commerce	44
Alaska State Chamber of Commerce	26
Rotary Club	20
Anchorage Downtown Partnership	18
Resource Development Council of Alaska	16
Visit Anchorage	15
Alaska Support Industry Alliance	15
Alaska Miners Association	14
Associated General Contractors of Alaska	14
Better Business Bureau of Alaska	11
Building Owners and Managers Association (BOMA)	8
Anchorage Home Builders Association	7
Eagle River/Chugach Chamber of Commerce	7
Alaska World Affairs Council	6
Association of Builders and Contractors of Alaska	4
Alaska Cabaret, Hotel Restaurant & Retailer's Association	3
Alaska Trucking Association	2
Alaska Process Industry Careers Consortium	1
Others	16
None of the above	20

The following section includes verbatim responses for open-ended survey questions.

Which sector best describes your organization?

- Agriculture technology
- Cannabis
- Labor Organization

Are there any other barriers that prevent your organization from achieving growth?

- A population that is increasingly less educated and sophisticated that in turn then prefers shopping at huge discount stores and does not appreciate high quality, locally handmade and designed unique items---even if the price point is similar to mass produced discount items! I see the main barriers to our economic problems as: lack of support and lower quality of all grade level liberal arts and technical education and low standards for educating our population from preschool forward, higher violence rates, and a lack of government and community support for creative enterprises to succeed --- such as uniform state health insurance for all residents to take the burden off small businesses.
- Access to affordable quality child care for all families needing to enter the workforce. Access to blended and sustainable funding to support early care and learning programs and teachers with professional development, retention activities such as a living wage to decrease turnover and improve the continuity of care (adult-child relationships), and quality improvement efforts.
- Access to capital and cost of workers comp.
- Access to cheap capital on a micro level to our customers.
- Access to statewide operations and government relations.
- Affordable Care Act regulations.
- Anchorage Land Use Department.
- Attracting qualified talent to Alaska is always challenging and especially with our present economy (overlaps an earlier question of yours I know).
- Availability of public funding.
- Bed Tax.
- Biggest threat to our business is the Affordable Care Act. This may force my husband and I to shut down our two businesses, lay off our staff, and move to a state or country with more affordable healthcare.
- Capital for hiring additional staff.
- Core costs of labor in relation to market pricing demands.
- Cost of living in general.
- Cost of shipping goods.
- Cut funding.
- Different insurance and licensing requirements for mental health care.
- Federal budget/congressional mandates/oil prices/lack of state fiscal plan/uncertainty regarding new presidential administration.
- Franchisor demands for signing on to costly programs and capital investments.
- Getting started as a young woman small business owner.
- Government bias.

- Hard to bring break through products and services to Alaska in general and Anchorage in particular due to entrenched monopolies.
- Health insurance costs.
- Infrastructure for development, i.e. water, sewer, gas lines.
- Insurance and medical problems.
- Lack of capital projects.
- Lack of new development downtown, attracting new business.
- Lack of oil tax credit incentives.
- Lack of qualified and experienced managers, general managers, assistant publisher.
- Lack of solution for state budget deficit and sustainable fiscal plan.
- Lack of time to grow business, though this is more of a personal problem as owner has not left other employment to pursue business seriously.
- Land available for future expansion.
- Location.
- Long-term stable policy for oil taxes.
- Lower consumer confidence.
- Marketplace uncertainty appears to be slowing down decision-making and project advancement across all agencies, negatively affecting the consulting community.
- Nonprofits in Anchorage and across the State continue to suffer from decreases in charitable and philanthropic commitments from Alaska businesses.
- Not established enough to offer health insurance. Personal plans purchased by our employees are very expensive.
- Oil prices and its effect on local businesses. As a nonprofit business organization, we are effected by impacts on the local economy.
- Oil tax issues and the tendency for our State Government to continue to over tax the oil industry to a point where their investments in Alaska are either reduced or taken out of state all-together.
- Overall decline is consumer confidence, as well as what appears to be a rapid increase in vagrants throughout downtown and midtown.
- Perception of safety or crime on Anchorage.
- Population decline.
- Price competition -- clients expected cost of our services has changed little in 15 years though our wages, healthcare, technology, media and other costs continue to rise.
- Price of oil, little incentive to drill in Alaska.
- Public trust.
- Reduced corporate and individual donations.
- Repealing of the Alaska Film Incentive Program and cutting tourism budget.
- Retail development.
- Retiring workforce leaving Alaska with their assets.
- State of Alaska lack of leadership in sustaining growth within the business sector and maintaining a reasonable budget.
- State-funded social services, when funded, evaluated at 40% cost (cost over quality of work).

- Status of regional/worldwide economies.
- Stereotypes about Alaska -- either as a far-flung outpost, or behind the times (Arctic lag).
- Stereotypes that suggest that working in our industry is less challenging, rewarding or career building here than elsewhere.
- The Anchorage Land Use Regulations [Title 21] could be modified in order to allow options that do not currently exist, such as the ability to subdivide existing lots -- for example, turning an existing 6,000 square foot property with alley access into two 3,000 square foot properties with shared development restrictions. This would allow growth to density and tax base while controlling sprawl, add value to property owners and create potential work for my company. Other development models such as tiny houses could also be considered. The availability of financing for projects also plays into the availability of work for me. If there is another 1980s recession in AK work could dry up altogether. It was only really bad for two or three years, but the bottoming out was really bad! And at the end, pent-up demand due to a lack of activity and availability of financing. It would be nice if we could anticipate problems in advance, and not be so devastated by boom and bust cycles.
- The current Administration's blind pursuit of the Alaska Gasoline and LNG Export project.
- The lack of knowledge of the general public in understanding the impact of federal regulations on our industry, what is required of us and the costs involved.
- The legislature and the governor not making any decisions. They claim to have made cuts to state budget. I don't know of any state workers losing their jobs. Yet my business is down 40%. We need to see the pain felt everywhere. Somehow the State and Municipality of Anchorage see themselves as untouchable.
- The perception of convenient, affordable parking. There's plenty of parking, but the perception is that there is not.
- Too much competition for this market size.
- Tribal clients refusing to pay outstanding accounts receivable.
- Uncertainty - regulations, taxes, etc. at both state and federal level.
- Unemployment rates loss of oil & gas industry jobs.
- Vision of board and ED about stretching and growing.
- We provide technical services to the Oil and Gas Industry. When their capital spend declines, our revenue declines. The O&G capital spend is influenced by a) commodity prices, b) tax incentives, c) fiscal certainty (taxes are not volatile). With the possible exception of a), wherein prices are beginning to see some relief, the other inputs are not positive. This is not a growth market opportunity for this business.
- Working with low-income seniors is a major challenge in today's market and with cuts made in senior programs by the former State Legislature. It will be interesting to see how the municipality and state work out their regulations that make it a challenge to help all seniors, whether low income or not.

Are there any other projects you think are very important for the Anchorage Economy?

- | | |
|---|---------------------------------------|
| • Access to affordable health care | • Alternative safe renewable energy |
| • Addressing homelessness | • Appearance of city |
| • Adult Education | • Arctic development |
| • Affordable Adult Education | • Arts and culture renaissance |
| • Affordable and available air cargo | • Economic diversity |
| • Airport infrastructure | • Beautifying our city. |
| • Alternative commuter transportation opportunities | • Bridge to Knik |
| | • Building a Healthy Creative Economy |

- Caelus
- Cannabis retail
- Clean Air, Water, Land and Sea
- Commercial Real Estate Regulation
- Complete the upgrade of Spenard Road.
- Confront our opioid, heroin and meth epidemic
- Dealing with homelessness/panhandlers
- Declining opportunities for educated workforce
- Development plans for Point McKenzie
- Diversifying businesses downtown
- Downtown Transit Center
- Drop in housing prices so they are affordable
- Emphasis on shopping local
- Expansion of bicycle infrastructure (lanes, etc.)
- F35s and other military growth vs. base closure
- Funds to pay for adult education
- Highway 2 Highway Connection
- Holding MOA accountable for funds used
- Home port for an icebreaker.
- Improved infrastructure for people commuting into ANC
- increasing efficiency of government services
- Independent Grid Operator and TRANSCO
- Investment in renewable energy
- JBER stability
- Knik Arm Bridge
- Legal cannabis club not allow criminals.
- Legislation - close the budget deficit
- Legislation - fiscal certainty for oil taxation
- Legislation - maintain exploration tax credits
- Lower Property Taxes
- Midtown planning and zoning
- Midtown redevelopment
- More indoor public spaces
- Need for increased APD Force
- New North Slope Projects
- NPRA
- Off season tourism/conventions
- Other mining projects
- Oversupply of Professional Workforce
- Partnering with non-profits providing solutions
- Police Safety
- Public transportation. (x2)
- Public wi-fi
- Redesign the foster kid program-doesn't work.
- Reduce the taxes assessed on car rentals
- Reducing size of government
- Reducing the cost of healthcare services
- Refugees
- Resource Development
- Riot Control
- Safe bike and pedestrian movement in the municipality.
- Sales Tax on Consumables including Groceries
- Sales Taxes
- Security
- Small Business Lending
- Smart growth redevelopment and planning
- Southbound Glenn Highway/South ER on ramp & lane
- Status of local housing market
- Stronger relationship with UAA
- Supporting Native communities and culture
- Sustainability and Renewable Energy
- Tax equitability
- Taxi reform to open way for Uber or others
- Title 21/land use codes/permitting
- Too much government consolidation
- Trade schools
- Transportation infrastructure development
- University - Environmental Profession Classes
- University - Reinvest in Environmental Profession
- University - Workforce training
- Utilities
- Watana-Susitna Dam (x2)
- Winter sport/tourism development
- Working with Forget Me Not
- Working with Tribes

Thank you to the Annual
Business Confidence Index
Report Sponsor:



BLUE CROSS BLUE SHIELD OF ALASKA

We know the territory.

This economic forecast
prepared for AEDC by:



510 L Street, Suite 603, Anchorage, Alaska 99501 • (907) 258-3700 • www.AEDCweb.com

AEDC is a private non-profit corporation (IRS code 501(c)(6)), operating since 1987. It exists to encourage growth and diversity in the Anchorage economy, promote a favorable business climate and improve the standard of living of Anchorage residents. Funding sources for the corporation are private contributions, municipal and state grants and contracts.