

# 2018 ANNUAL BUSINESS CONFIDENCE INDEX REPORT

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Anchorage Economic  
Development Corporation

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## Summary of Key Findings

Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group, an Alaska research firm, to conduct the tenth 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 2018. The survey was fielded from November 9 to December 22, 2017. Online responses from 338 businesses and organizations within the Municipality of Anchorage 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.

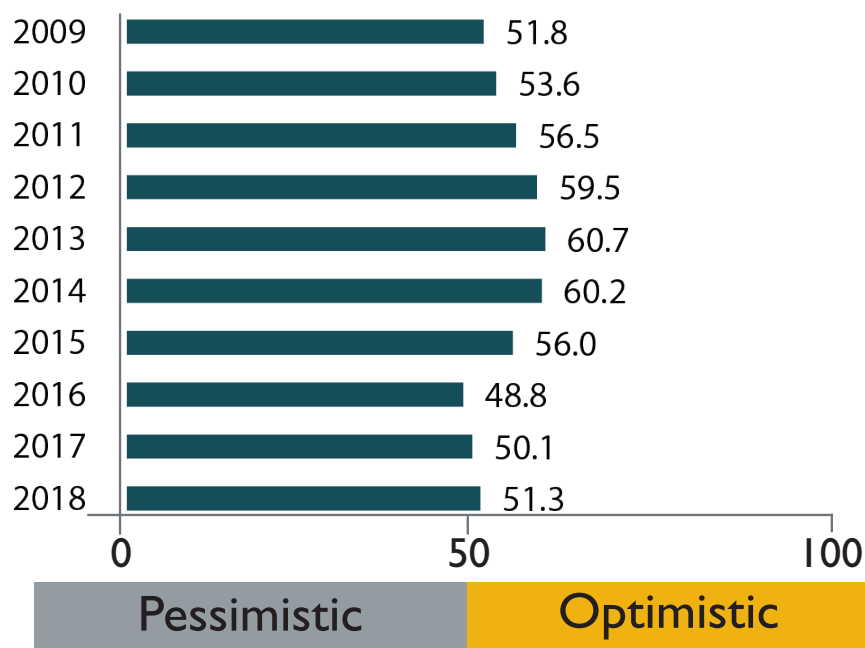
Most of the indices landed around the midway point of 50, and changed little from the previous several years, with one exception: confidence in the Anchorage economy increased nearly 9 points. However, this indicator is still below 50 (at 42.5), and earned the lowest rating among all indices. Businesses expressed the highest confidence in their own gross sales (56.7) and net profits (55.9).

Comparing all indices to last year's results, expectations for 2018 are:

- Higher for the overall “composite” Business Confidence Index, up 1.2 points to 51.3.
- Higher for the Anchorage Economy Index, up 8.8 points to 42.5.
- Lower for Gross Sales Index, down 0.9 points to 56.7.
- Lower for Net Profits Index, down 0.7 points to 55.9.
- Lower for Employment Index, down 1.2 point to 51.1.
- Lower for Capital Expenditures Index, down 0.1 points to 50.4.

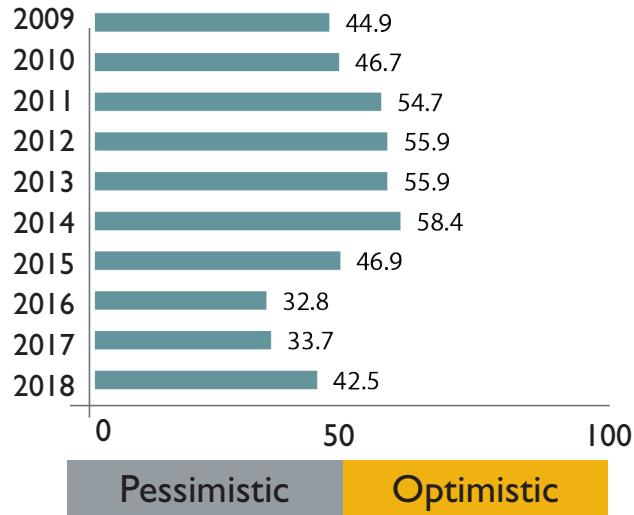
The following charts compare the indices for each annual AEDC BCI survey conducted since 2009.

**Composite Business Confidence Index, 2009 - 2018**  
(0 – Very Pessimistic, 50 – Neither Pessimistic Nor Optimistic, 100 – Very Optimistic)

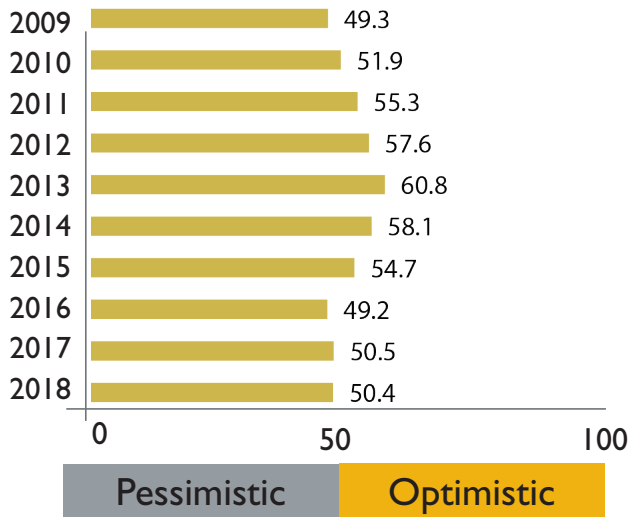


**Anchorage Economy, Capital Expenditures, Employment, Net Profits and Gross Sales  
Business Confidence Indices, 2009-2018**  
(0 - Large Decrease, 50 - No Change, 100 - Large Increase)

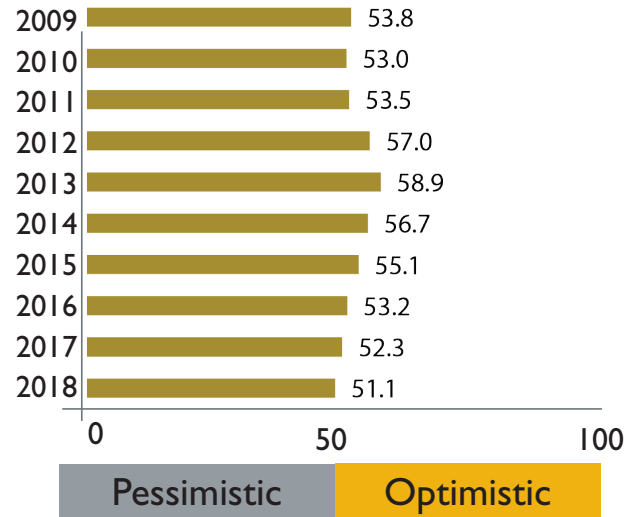
**Anchorage Economy**



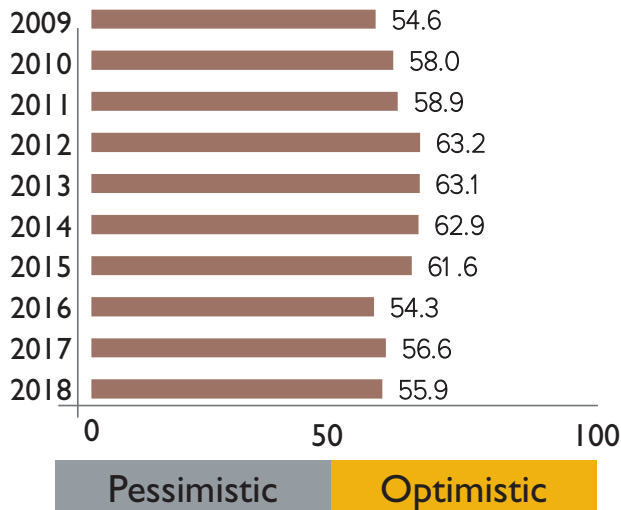
**Capital Expenditures**



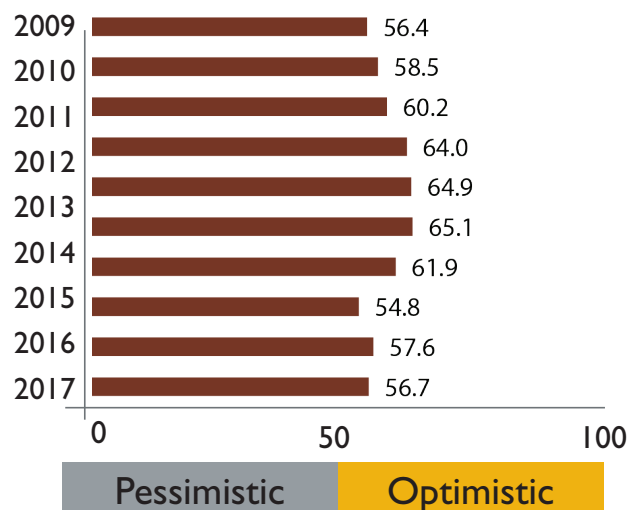
**Employment**



**Net Profits**

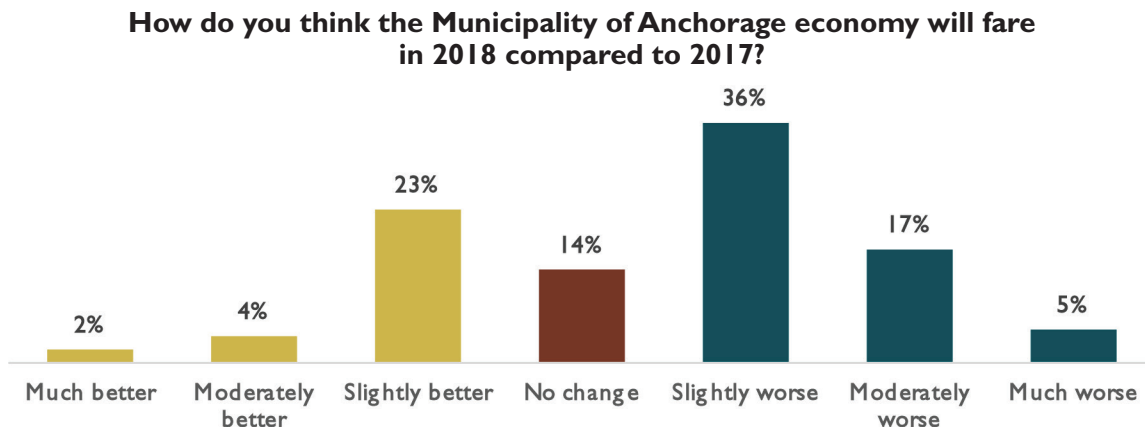


**Gross Sales**



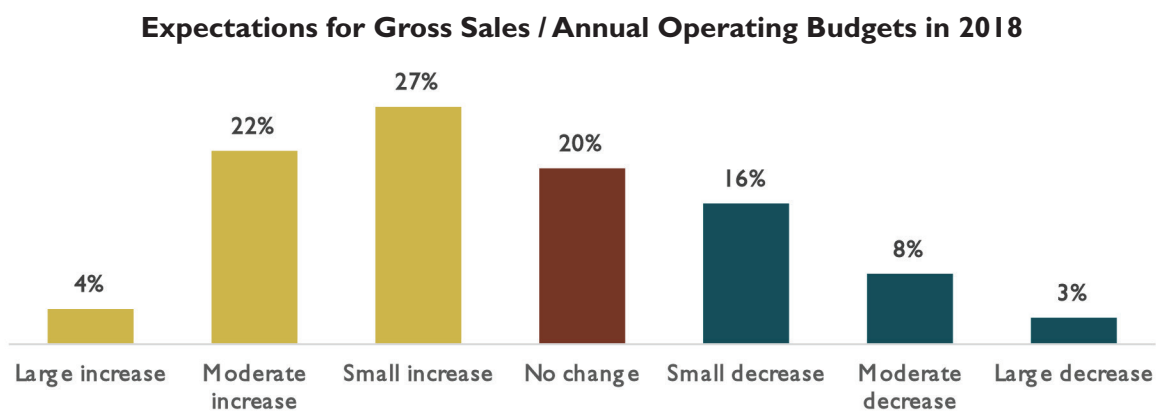
## ANCHORAGE ECONOMY

When asked how the Anchorage economy will fare in 2018 compared to 2017, the majority of responding businesses expressed pessimism, with 58 percent saying it will do worse (slightly, moderately, or much worse combined). This compares with 29 percent who said it will do better (slightly, moderately, or much better combined). However, optimism has increased since last year, when only 18 percent predicted an improvement in the economy, and 70 percent predicted it would worsen.



## GROSS SALES AND NET PROFITS

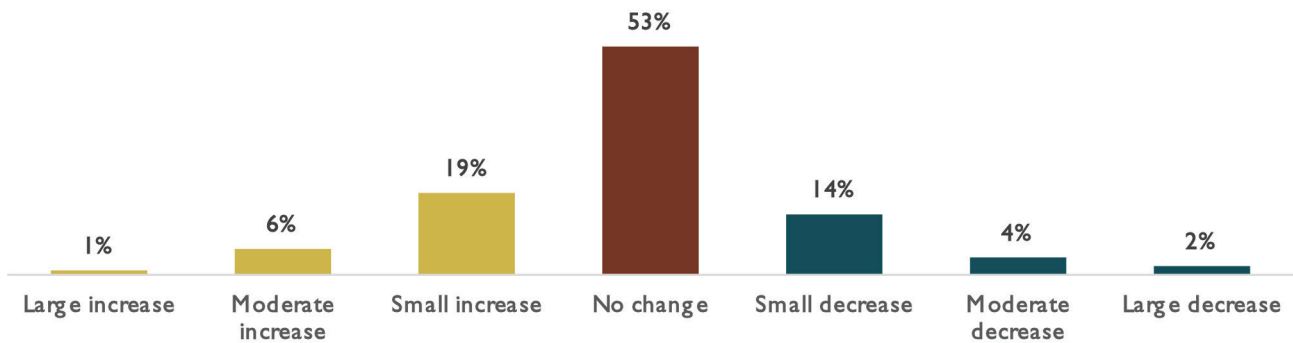
While most businesses were pessimistic about the Anchorage economy in 2018, they were more confident about their own gross sales (or annual operating budget) for 2018: over half (53 percent) expect an increase (small, moderate, or large), compared to 27 percent who expect a decrease. Twenty percent expect no change. (These figures are similar to 2016 results of 54, 28, and 17 percent, respectively.) Expectations for net profits closely matched those for gross sales.



## EMPLOYMENT AND CAPITAL EXPENDITURES

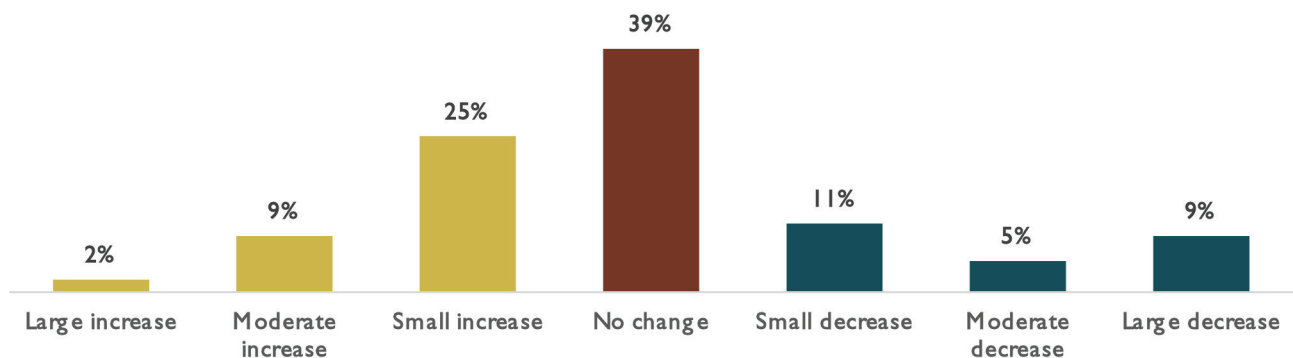
The bulk of responding businesses (53 percent) expect no change in their 2018 employment. The remainder are slightly more likely to expect an increase (26 percent) than to expect a decrease (20 percent). These figures are similar to 2016 responses, when 48 percent expected no change, 30 percent expected an increase, and 21 percent expected a decrease.

### Expectations for Employment in 2018



There are more changes planned in terms of capital expenditures, compared to employment, for 2018. Over one-third (36 percent) of businesses plan an increase in capital expenditures, compared to 25 percent who expect a decrease. Of note is the 9 percent who expect a “large” decrease – this is up from 5 percent in 2016, and the highest in the last decade.

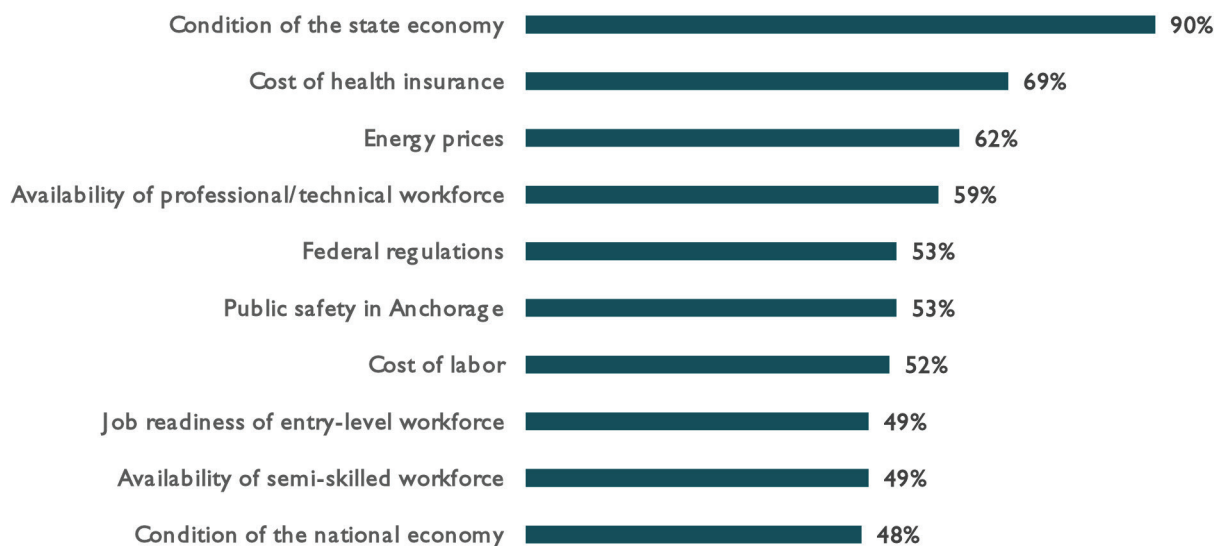
### Expectations for Capital Expenditures in 2018



## BARRIERS TO BUSINESS GROWTH

Businesses rated the condition of the state economy as the top barrier to their organization’s growth, with 90 percent saying this was a significant or moderate barrier. This was followed by cost of health insurance (69 percent), energy prices (62 percent), and availability of professional/technical workforce (59 percent).

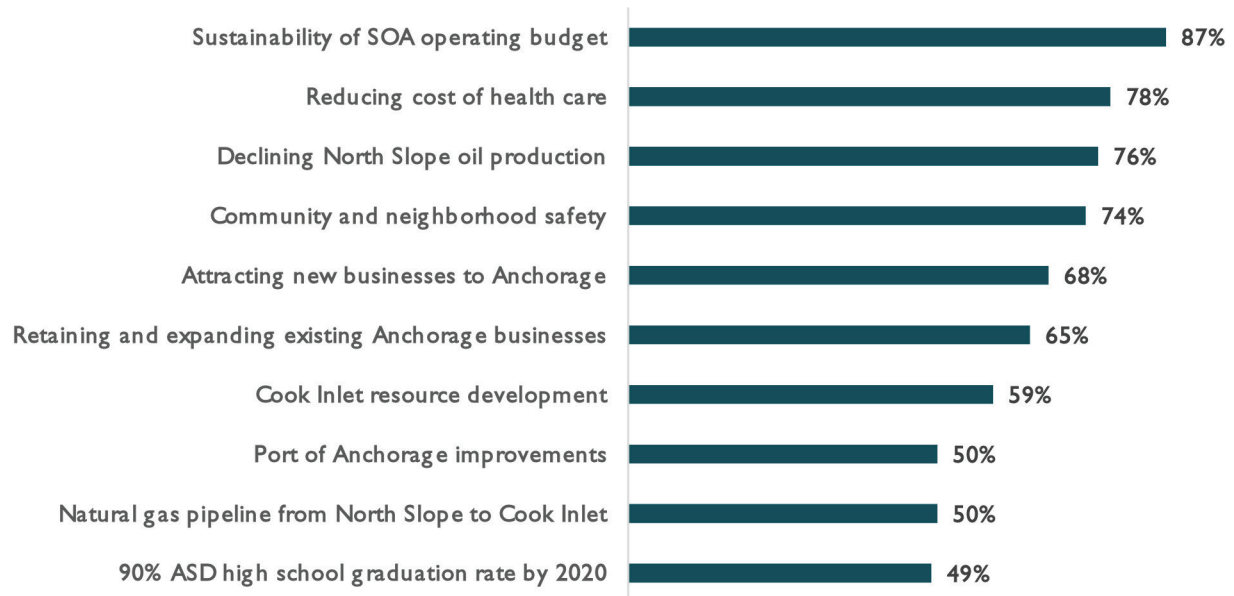
### Top 10 Barriers to Business Growth (Significant and Moderate Barriers Combined)



## IMPORTANT ISSUES AFFECTING ANCHORAGE'S ECONOMY

When asked to rate the importance of various issues to the Anchorage economy, the sustainability of the State of Alaska (SOA), operating budget received the most “very important” ratings at 87 percent, followed by reducing the cost of health care (78 percent) and declining North Slope oil production (76 percent).

### Top 10 “Most Important” Issues for Anchorage Economy



## BUSINESS SUPPORT FOR ANCHORAGE SALES TAX AND HIGHWAY FUEL TAX

Support for establishing an Anchorage sales tax to offset property taxes declined for the second year in a row: from 68 percent in 2015, to 59 percent in 2016, to 49 percent in 2017.

A new question asked businesses whether they supported a highway fuel tax. Similar to the sales tax, half of businesses were supportive (49 percent), and half were opposed (51 percent).

## STATE'S LONG-TERM FISCAL STABILITY

A new question gauged support for six potential methods of addressing the State of Alaska's budget deficit. The most popular was “further reductions to State spending” at 77 percent supportive, followed by reduction to the PFD at 57 percent, and statewide sales tax at 53 percent. Less than half were supportive of the other three methods: other broad-based statewide tax (47 percent), statewide income tax (39 percent), and eliminating the PFD (36 percent).



## Introduction and Methodology

Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group for the tenth 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 9 and December 22, 2017. Respondents were asked a series of questions regarding their organization's business performance in 2017 compared to 2016, expectations for 2018, 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 338 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.

## 2017 Business Performance

- In terms of net profits, 42 percent of businesses reported an increase between 2016 and 2017, similar to the percentage (44 percent) reporting a decrease. The remainder (14 percent) reported no change.
- The percentage reporting an increase (42 percent) was the lowest of the last decade (along with 2009), and 4 percent lower than last year's rate of 46 percent. This is the fourth consecutive year of decline (65 percent in 2013, 61 percent in 2014, 53 percent in 2015, 46 percent in 2016, and 42 percent in 2017).

### **In terms of net profits, how has your business performed in 2017 compared to 2016? (2008-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Increase (net)</b>	<b>42</b>	<b>46</b>	<b>53</b>	<b>61</b>	<b>65</b>	<b>56</b>	<b>57</b>	<b>56</b>	<b>42</b>	<b>65</b>
Large increase	4	4	5	8	6	10	8	6	6	12
Moderate increase	17	22	21	29	24	25	23	20	15	30
Small increase	21	20	27	24	35	21	26	30	21	23
<b>Decrease (net)</b>	<b>44</b>	<b>41</b>	<b>34</b>	<b>27</b>	<b>23</b>	<b>28</b>	<b>25</b>	<b>34</b>	<b>45</b>	<b>23</b>
Small decrease	20	16	16	14	12	15	12	16	17	13
Moderate decrease	14	14	13	9	9	9	7	10	18	2
Large decrease	10	11	5	4	2	4	6	8	10	8
<b>No change</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>15</b>	<b>19</b>	<b>9</b>	<b>13</b>	<b>12</b>

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 2018

## GROSS SALES / ANNUAL OPERATING BUDGETS

- Over half of business respondents (53 percent) expect an increase in their gross sales or annual operating budgets in 2018; over one-quarter (27 percent) expect a decrease; and 20 percent expect no change.
- Results to this question closely matched those of 2016: those expecting an increase went from 54 percent in 2016 to 53 percent in 2017, while those expecting a decrease went from 28 to 27 percent. From a long-term perspective, the percentage expecting an increase is the third-lowest of the last decade (after 54 percent in 2016 and 49 percent in 2015).

### In terms of gross sales/annual operating budget, how do you expect your organization to perform in 2018 compared to 2017? (2008-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Increase (net)</b>	<b>53</b>	<b>54</b>	<b>49</b>	<b>65</b>	<b>73</b>	<b>73</b>	<b>68</b>	<b>63</b>	<b>60</b>	<b>57</b>
Large increase	4	5	4	5	4	3	4	3	6	4
Moderate increase	22	27	19	26	27	33	26	22	22	26
Small increase	27	22	26	34	42	37	38	38	32	27
<b>Decrease (net)</b>	<b>27</b>	<b>28</b>	<b>31</b>	<b>18</b>	<b>13</b>	<b>13</b>	<b>12</b>	<b>17</b>	<b>27</b>	<b>34</b>
Small decrease	16	14	17	10	9	6	8	10	13	17
Moderate decrease	8	10	11	5	3	4	2	3	10	15
Large decrease	3	4	3	3	1	3	2	4	4	2
<b>No change</b>	<b>20</b>	<b>17</b>	<b>18</b>	<b>17</b>	<b>14</b>	<b>15</b>	<b>19</b>	<b>21</b>	<b>15</b>	<b>8</b>

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

## NET PROFITS

- About one-half of businesses (51 percent) expect their net profits to increase in 2018, while 27 percent expect their net profits to decrease, and 22 percent expect no change
- Results were very similar to 2016: those expecting an increase went from 53 to 51 percent, while those expecting a decrease went from 29 to 27 percent, and those expecting no change went from 18 to 22 percent. The rate expecting an increase (51 percent) was the third-lowest in the last decade, after 48 percent in 2008 and 49 percent in 2015.

### In terms of net profits, how do you expect your organization to perform in 2018 compared to 2017? (2008-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Increase (net)</b>	<b>51</b>	<b>53</b>	<b>49</b>	<b>63</b>	<b>68</b>	<b>68</b>	<b>66</b>	<b>60</b>	<b>58</b>	<b>48</b>
Large increase	3	5	2	4	3	2	4	2	4	5
Moderate increase	20	25	19	27	24	23	23	20	24	20
Small increase	28	23	28	32	41	43	39	38	30	23
<b>Decrease (net)</b>	<b>27</b>	<b>29</b>	<b>28</b>	<b>20</b>	<b>16</b>	<b>12</b>	<b>14</b>	<b>18</b>	<b>25</b>	<b>36</b>
Small decrease	15	15	15	12	11	7	10	10	12	21
Moderate decrease	9	9	9	6	4	5	2	4	9	14
Large decrease	3	5	4	2	1	-	2	4	4	1
<b>No change</b>	<b>22</b>	<b>18</b>	<b>23</b>	<b>18</b>	<b>15</b>	<b>20</b>	<b>19</b>	<b>22</b>	<b>18</b>	<b>15</b>

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

## EMPLOYMENT

- One-quarter of businesses (26 percent) expect their employment to increase in 2018, while slightly fewer (20 percent) expect a decrease. Over one-half (53 percent) expect no change in employment.
- The percentage expecting an increase (26 percent) is down slightly from 2016 (30 percent), while those expecting a decrease (20 percent) is similar to 2016 (21 percent). Those expecting no change increased from 48 to 53 percent. The percentage expecting an increase (26 percent) is the lowest in the last decade.

### In terms of employment, how do you expect your organization to perform in 2018 compared to 2017? (2008-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Increase (net)</b>	<b>26</b>	<b>30</b>	<b>36</b>	<b>41</b>	<b>45</b>	<b>52</b>	<b>45</b>	<b>34</b>	<b>33</b>	<b>39</b>
Large increase	1	1	2	2	1	2	2	-	2	3
Moderate increase	6	11	10	11	11	11	11	9	7	13
Small increase	19	18	24	28	33	39	32	25	24	23
<b>Decrease (net)</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>17</b>	<b>13</b>	<b>8</b>	<b>13</b>	<b>16</b>	<b>17</b>	<b>27</b>
Small decrease	14	14	12	11	8	6	10	12	11	20
Moderate decrease	4	5	7	3	4	2	2	2	4	6
Large decrease	2	2	2	3	1	<1	1	2	2	1
<b>No change</b>	<b>53</b>	<b>48</b>	<b>43</b>	<b>44</b>	<b>41</b>	<b>39</b>	<b>43</b>	<b>49</b>	<b>49</b>	<b>35</b>

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

## CAPITAL EXPENDITURES

- Over one-third of businesses (36 percent) expect an increase in capital expenditures, while 25 percent expect a decrease, and 39 percent expect no change.
- Responses were similar to 2016: those expecting an increase went from 33 to 36 percent; those expecting a decrease fell from 29 to 25 percent; and those expecting no change went from 37 to 39 percent. Compared to the last decade, the percentage expecting an increase was slightly lower than average.

### In terms of capital expenditure, how do you expect your organization to perform in 2017 compared to 2016? (2008-2016 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Increase (net)</b>	<b>36</b>	<b>33</b>	<b>34</b>	<b>42</b>	<b>50</b>	<b>52</b>	<b>45</b>	<b>46</b>	<b>35</b>	<b>37</b>
Large increase	2	3	3	5	7	7	5	3	4	5
Moderate increase	9	11	9	14	14	18	12	12	8	10
Small increase	25	19	22	23	29	27	28	31	23	22
<b>Decrease (net)</b>	<b>25</b>	<b>29</b>	<b>32</b>	<b>19</b>	<b>16</b>	<b>13</b>	<b>14</b>	<b>17</b>	<b>22</b>	<b>34</b>
Small decrease	11	14	17	7	8	7	8	7	9	16
Moderate decrease	5	10	8	6	3	4	4	5	8	10
Large decrease	9	5	7	6	5	2	2	5	5	8
<b>No change</b>	<b>39</b>	<b>37</b>	<b>34</b>	<b>38</b>	<b>35</b>	<b>35</b>	<b>43</b>	<b>37</b>	<b>42</b>	<b>28</b>

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 their business's growth as either significant, moderate, not a barrier, or not applicable.

- When combining the results for “significant” and “moderate” barrier, one factor was much more commonly cited than all others: condition of the state economy (90 percent). Only two other factors were cited as significant by more than 60 percent of respondents: cost of health insurance (69 percent) and energy prices (62 percent).
- Factors seen as least threatening were availability of commercial property for development near the airport (just 7 percent rated this as a moderate or significant barrier), availability of industrial/ commercial/office space (23 percent), transportation linkages with suppliers and markets (32 percent), and state taxes (33 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? (Percent)

	Significant barrier	Moderate barrier	Significant/ Moderate Combined	Not a barrier	Not applicable
Condition of the state economy	56	34	90	8	2
Cost of health insurance	38	31	69	20	10
Energy prices	18	44	62	32	7
Availability of professional/technical workforce	15	44	59	31	11
Federal regulations	20	33	53	38	8
Public safety in Anchorage	19	34	53	37	10
Cost of labor	12	40	52	39	10
Job readiness of entry level workforce	13	36	49	38	14
Availability of semi skilled workforce	13	36	49	38	13
Condition of the national economy	7	41	48	46	6
State regulations	16	31	47	46	7
Federal taxes	12	34	46	44	10
Cost of Workers' Compensation insurance	11	31	42	46	13
Access to capital	12	27	39	49	12
Municipality of Anchorage taxes	10	29	39	50	11
Municipality of Anchorage regulations	11	25	36	53	12
Cost of commercial lease/rental property	11	25	36	44	20
Availability and affordability of quality housing	10	25	35	47	18
State taxes	10	23	33	51	16
Transportation linkages with suppliers and markets	8	24	32	47	20
Availability of industrial/commercial/office space	5	18	23	58	19
Availability of commercial property for development near the airport	2	5	7	53	41

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

- Results were similar to 2016, with a couple of exceptions:
  - Those citing “public safety in Anchorage” as a significant barrier increased from 9 to 19 percent.
  - Those citing “availability of semi-skilled workforce” increased from 8 to 13 percent.
  - Those citing “condition of the national economy” fell from 16 to 7 percent.

**To what extent are the following factors a barrier to your organization’s growth?  
 (“Significant barriers” only) (2008-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Condition of the state economy	56	53	51	33	27	*	*	*	*	*
Cost of health insurance	38	38	31	31	36	29	23	34	27	*
Federal regulations	20	22	24	25	36	28	25	29	21	19
Public safety in Anchorage	19	9	6	5	*	*	*	*	*	*
Energy prices	18	20	21	15	9	15	15	12	12	23
State regulations	16	13	12	12	18	13	12	10	9	18
Availability of professional/technical workforce	15	15	16	26	24	19	15	12	10	19
Job readiness of entry -level workforce	13	13	13	14	16	9	11	7	7	5
Availability of semi -skilled workforce	13	8	13	13	18	6	4	5	6	3
Cost of labor	12	13	11	15	11	*	*	*	*	*
Access to capital	12	13	11	8	10	10	8	13	16	12
Federal taxes	12	10	13	15	13	7	9	9	11	13
Municipality of Anchorage regulations	11	10	14	12	10	7	6	9	6	10
Cost of Workers’ Compensation insurance	11	8	11	9	13	8	12	14	11	*
Cost of commercial lease/rental property	11	7	9	10	9	7	10	10	8	9
Availability and affordability of quality housing	10	9	14	*	*	*	*	*	*	*
Municipality of Anchorage taxes	10	6	7	6	6	4	4	10	6	8
State taxes	10	6	6	5	7	7	6	6	6	10
Transportation linkages with suppliers and markets	8	7	7	9	8	6	10	5	7	6
Condition of the national economy	7	16	12	16	28	*	*	*	*	*
Availability of industrial/commercial/office space	5	5	3	*	*	*	*	*	*	*
Availability of commercial property for development near the airport	2	3	2	*	*	*	*	*	*	*

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

## Capital Improvement Plans

- One-quarter of businesses said they were planning significant capital improvements in the next two years. Among these businesses, over two-thirds said their improvements will create jobs for Anchorage residents.
- The percentage planning capital improvements (25 percent) was down from 31 percent in 2016, and the lowest of the last decade.
- Among those not planning capital improvements, nearly half (44 percent) said that recent changes in the Anchorage economy have affected their growth plans.
- The percentage claiming that the recent economic climate affected their plans (44 percent) is up slightly from 2016 (41 percent), and the highest in the last decade.

### Are you planning significant capital improvements in the next two years (2018-2019)? (2008-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Planning capital improvement</b>	<b>25</b>	<b>31</b>	<b>27</b>	<b>31</b>	<b>35</b>	<b>43</b>	<b>34</b>	<b>27</b>	<b>31</b>	<b>34</b>
Will create jobs	69	67	68	78	70	65	71	64	73	74
Will not create jobs	31	33	32	22	30	35	29	36	27	26
<b>Not planning capital improvement</b>	<b>75</b>	<b>69</b>	<b>73</b>	<b>69</b>	<b>65</b>	<b>57</b>	<b>66</b>	<b>73</b>	<b>69</b>	<b>66</b>
Recent economic climate did not affect plans	56	59	60	73	76	88	72	62	69	74
Recent economic climate affected plans	44	41	40	27	24	12	28	38	31	26

## Expectations for the Economy in 2018

Respondents were asked about their expectations for both the Anchorage and Alaska economies.

### ANCHORAGE ECONOMY

- Nearly one-third (29 percent) of businesses said they think the Anchorage economy will fare better in 2018, compared to 2017, while 58 percent expect it to fare worse, and 14 percent expect no change.
- Businesses were more optimistic than last year: those expecting the economy to improve increased from 18 percent in 2016 to 29 percent in 2017, while those expecting the economy to worsen fell from 70 to 58 percent. Optimism was lowest in 2015, when only 10 percent expected the economy to improve. It was highest in 2013, at 59 percent.

**How do you think the overall Municipality of Anchorage economy will fare next year, compared to this year? (2008-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Better (net)</b>	<b>29</b>	<b>18</b>	<b>10</b>	<b>37</b>	<b>59</b>	<b>51</b>	<b>55</b>	<b>48</b>	<b>33</b>	<b>27</b>
Much better	2	1	-	1	1	1	-	1	-	3
Moderately better	4	3	<1	7	11	14	7	8	8	8
Slightly better	23	14	10	29	47	36	48	39	25	16
<b>Worse (net)</b>	<b>58</b>	<b>70</b>	<b>78</b>	<b>44</b>	<b>18</b>	<b>21</b>	<b>20</b>	<b>25</b>	<b>47</b>	<b>59</b>
Slightly worse	36	40	48	29	17	19	15	21	32	47
Moderately worse	17	23	22	12	1	2	3	3	13	11
Much worse	5	7	8	3	<1	-	2	1	2	1
<b>No change</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>18</b>	<b>22</b>	<b>28</b>	<b>25</b>	<b>27</b>	<b>21</b>	<b>14</b>

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

## ALASKA ECONOMY

- About one-third of businesses (32 percent) expect the Alaska economy to improve in 2018, while 52 percent expect it to worsen, and 16 percent expect it to stay the same. (These results are similar to expectations for Anchorage's economy at 29, 58, and 14 percent, respectively.)
- The percentage expecting Alaska's economy to improve (32 percent) is up significantly from the last two years (19 percent in 2016 and 5 percent in 2015).

**How do you think the overall Alaska economy will fare next year, compared to this year? (2008-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Better (net)</b>	<b>32</b>	<b>19</b>	<b>5</b>	<b>35</b>	<b>56</b>	<b>54</b>	<b>51</b>	<b>47</b>	<b>37</b>	<b>21</b>
Much better	2	1	-	2	1	2	1	1	-	3
Moderately better	5	4	<1	8	13	11	8	8	7	5
Slightly better	25	14	5	25	42	41	42	38	30	13
<b>Worse (net)</b>	<b>52</b>	<b>71</b>	<b>88</b>	<b>50</b>	<b>24</b>	<b>17</b>	<b>24</b>	<b>29</b>	<b>49</b>	<b>64</b>
Slightly worse	29	32	40	29	20	13	19	23	37	44
Moderately worse	19	29	36	16	3	4	3	4	10	17
Much worse	4	10	12	5	1	-	2	2	2	3
<b>No change</b>	<b>16</b>	<b>9</b>	<b>7</b>	<b>15</b>	<b>20</b>	<b>29</b>	<b>26</b>	<b>25</b>	<b>15</b>	<b>14</b>

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

## Importance of Issues for the Economy

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

The vast majority of issues were seen as important to the Anchorage economy, with at least 80 percent of businesses rating 19 out of 24 issues as “somewhat” or “very” important. Nearly all businesses (over 95 percent) rated the following as at least somewhat important:

- Reducing cost of health care (98 percent somewhat or very important)
- Community and neighborhood safety (97 percent)
- Retaining and expanding existing Anchorage businesses (97 percent)
- Sustainability of State of Alaska operating budget (97 percent)
- Declining North Slope oil production (96 percent)

Ranked in order of “very important” ratings, the top issues change as follows:

- Sustainability of State of Alaska operating budget (87 percent very important)
- Reducing cost of health care (78 percent)
- Declining North Slope oil production (76 percent)
- Community and neighborhood safety (74 percent)
- Attracting new businesses to Anchorage (68 percent)

“Other” issues of high importance to respondents not included in the table below can be found in the Appendix.

Between 2016 and 2017, a number of issues showed notable increases in “very important” ratings, including the following. (Note that some increase may have occurred due to removing “don’t know” as a response option.)

- Community and neighborhood safety (from 60 to 74 percent)
- Attracting new businesses to Anchorage (from 43 to 68 percent)
- Retaining and expanding existing Anchorage businesses (from 53 to 65 percent)
- The cost and impact of public inebriation (from 30 to 46 percent)
- Workforce training (from 31 to 44 percent).

*See tables, next two pages.*



**How important do you think the following are for the Municipality of Anchorage economy?  
(Percent)**

	Very important	Somewhat important	Very/ Somewhat Combined	Not important
Reducing cost of health care	78	20	98	2
Community and neighborhood safety	74	23	97	3
Retaining and expanding existing Anchorage businesses	65	32	97	3
Sustainability of State of Alaska operating budget	87	10	97	2
Declining North Slope oil production	76	20	96	4
Attracting new businesses to Anchorage	68	27	95	5
Workforce training	44	50	94	6
Port of Anchorage improvements	50	43	93	7
Workforce affordable housing	44	48	92	8
90% Anchorage School District high school graduation rate by 2020	49	42	91	9
Area's road infrastructure	38	53	91	9
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	59	31	90	10
Outer Continental Shelf oilfield development	48	39	87	13
Affordable/available childcare services	40	47	87	13
The cost and impact of public inebriation	46	41	87	13
Entrepreneurship support services	34	50	84	16
Retaining transitioning veterans in the local workforce	27	57	84	16
Natural gas pipeline from North Slope to Cook Inlet	50	33	83	17
Creative environments that enhance community livability	35	46	81	19
Upgrade of energy and water/wastewater utility infrastructure	28	53	81	19
City parks and trails revitalization	24	45	69	31
Donlin Gold Project	30	38	68	32
<i>Live. Work. Play.</i> initiative	24	44	68	32
Ship Creek redevelopment	14	48	62	38
Pebble Project	29	31	60	40

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

**How important do you think the following are for the Municipality of Anchorage economy?  
("Very Important" only) (2008-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Sustainability of SOA operating budget	87	86	81	76	73	*	*	*	*	*
Reducing cost of health care	78	*	*	*	*	*	*	*		
Declining North Slope oil production	76	69	83	80	82	*	*	*	*	*
Community and neighborhood safety	74	60	51	47	54	*	*	*	*	*
Attracting new businesses to Anchorage	68	43	56	*	*	*	*	*	*	*
Retaining and expanding existing Anchorage businesses	65	53	56	*	*	*	*	*	*	*
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	59	48	60	64	73	76	69	73	75	*
Port of Anchorage improvements	50	40	35	33	41	43	43	42	38	49
Natural gas pipeline from North Slope to Cook Inlet	50	39	61	65	67	62	57	66	66	78
90% Anchorage School District high school graduation rate by 2020	49	41	31	50	54	*	*	*	*	*
Outer Continental Shelf oilfield development	48	36	44	*	*	*	*	*	*	*
The cost and impact of public inebriation	46	30	36	*	*	*	*	*	*	*
Workforce training	44	31	32	42	46	41	37	31	39	57
Workforce affordable housing	44	38	39	56	51	35	22	33	22	*
Affordable/available childcare services	40	32	25	*	*	*	*	*	*	*
Area's road infrastructure	38	31	33	43	*	*	*	*	*	*
Creative environments that enhance community livability	35	31	27	33	33	*	*	*	*	*
Entrepreneurship support services	34	36	23	*	*	*	*	*	*	*
Donlin Gold Project	30	17	*	*	*	*	*	*	*	*
Pebble Project	29	*	21	54	33	35	*	*	*	*
Upgrade of energy and water/wastewater utility infrastructure	28	23	23	25	30	33	39	35	*	*
Retaining transitioning veterans in the local workforce	27	21	22	*	*	*	*	*	*	*
City parks and trails revitalization	24	24	17	25	17	*	*	*	*	*
<i>Live. Work. Play.</i> initiative	24	22	20	22	24	*	*	*	*	*
Ship Creek redevelopment	14	12	10	12	14	20	*	*	*	*

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

"Don't know" was not offered as a response in 2018; in previous years these responses accounted for only a small fraction of the total .

- When asked to select the “most important” issue for the Anchorage economy, two issues tied for the most commonly cited: sustainability of the State’s operating budget and declining North Slope oil production, both at 19 percent. Other responses were each cited by fewer than 10 percent of respondents.
- Responses were fairly similar to 2016, although the sustainability of the State’s operating budget fell from 25 to 19 percent, and community and neighborhood safety increased from 2 to 6 percent.

**Which of the following do you think is most important for the Municipality of Anchorage economy?  
(2008-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Sustainability of SOA operating budget	19	25	23	12	13	*	*	*	*	*
Declining North Slope oil production	19	19	20	24	28	31	-	-	-	-
Attracting new businesses to Anchorage	9	7	7	*	*	*	*	*	*	*
Reducing cost of health care	6	*	*	*	*	*	*	*	*	*
Natural gas pipeline from North Slope to Cook Inlet	6	5	12	13	16	18	14	18	20	25
Port of Anchorage improvements	6	4	2	3	3	8	10	7	4	2
Community and neighborhood safety	6	2	3	3	1	*	*	*	*	*
Retaining and expanding existing Anchorage businesses	5	8	7	*	*	*	*	*	*	*
Cook Inlet resource development	3	3	6	8	9	16	28	16	15	*
Workforce training	3	2	1	5	5	2	3	2	4	7
The cost and impact of public inebriation	3	1	<1	*	*	*	*	*	*	*
90% ASD high school graduation rate by 2020	2	1	-	2	3	*	*	*	*	*
Workforce affordable housing	2	5	4	8	8	8	3	5	2	*
Creative environments that enhance community livability	1	3	3	2	1	*	*	*	*	*
Entrepreneurship support services	1	1	2	*	*	*	*	*	*	*
Donlin Gold Project	1	1	*	*	*	*	*	*	*	*
<i>Live. Work. Play.</i> Initiative	1	1	3	3	1	*	*	*	*	*
Outer Continental Shelf oilfield development	1	1	3	*	*	*	*	*	*	*
Area’s road infrastructure	1	-	<1	2	*	*	*	*	*	*
City parks and trails revitalization	<1	-	-	<1	-	*	*	*	*	*
Pebble Project	<1	*	*	4	<1	1	*	*	*	*
Ship Creek Redevelopment	<1	<1	<1	1	-	-	*	*	*	*
Upgrade of energy and water/wastewater utility infrastructure	-	1	<1	1	1	1	3	4	*	*
Affordable/available childcare services	-	-	<1	*	*	*	*	*	*	*
Retaining transitioning veterans in the local workforce	-	-	<1	*	*	*	*	*	*	*
Other**	3	2	3	3	1	4	3	5	4	4

\* Indicates project not included in the survey that year.

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

## BUSINESS SUPPORT FOR AN ANCHORAGE SALES TAX

Roughly one-half of businesses (49 percent) support a Municipal sales tax to offset property taxes in Anchorage, down from 59 percent in 2016, and the lowest level of support since the survey started asking the question in 2011.

### Do you support establishment of a municipal sales tax to offset business and residential property taxes in Anchorage? (2011-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011
Yes	49	59	68	60	58	54	60
No	51	41	32	40	42	46	40

## BUSINESS SUPPORT FOR A HIGHWAY FUEL TAX

A new question was asked in 2017 gauging support for a highway fuel tax to offset property taxes. Businesses were about evenly split in terms of net support/opposition, with 49 percent somewhat or very supportive, and 51 percent somewhat or very opposed. Those very opposed (30 percent) outweighed those very supportive (19 percent).

### How supportive are you of establishing a Municipal highway fuel (gasoline/diesel) tax to offset property taxes in Anchorage? (Percent)

	2017
Very supportive	19
Somewhat supportive	30
Somewhat opposed	21
Very opposed	30

## STATE'S LONG-TERM FISCAL STABILITY

A new question gauged support for six potential methods of addressing the State of Alaska's budget deficit. The most popular was "further reductions to State spending" at 77 percent supportive, followed by reduction to the PFD at 57 percent, and statewide sales tax at 53 percent. Less than half were supportive of the other three methods: other broad-based statewide tax (47 percent), statewide income tax (39 percent), and eliminating the PFD (36 percent).

### In response to the State of Alaska's budget deficit, how supportive are you of each of the following? (Percent)

	Very Supportive	Somewhat Supportive	Total Supportive	Somewhat Opposed	Very Opposed	Total Opposed
Statewide income tax	20	19	39	17	43	60
Statewide sales tax	16	37	53	23	24	47
Elimination of the Permanent Fund Dividend	15	21	36	19	45	64
Reduction to the Permanent Fund Dividend	29	28	57	17	26	43
Other broad-based statewide tax	10	37	47	23	31	54
Further reductions to State spending	60	17	77	13	10	23

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

## BUSINESS SECTOR

The most common sector represented by respondent businesses was professional services (14 percent), followed by finance/insurance/real estate (11 percent), and wholesale/retail trade (8 percent). Sector affiliations were very similar to 2016.

### What sector best describes your organization? (Self-identified) (2008-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Professional services	14	18	16	21	15	12	10	9	12	14
Finance/insurance/real estate	11	13	12	12	20	9	8	10	9	10
Wholesale/retail trade	8	6	6	5	3	6	5	7	4	5
Nonprofit	7	9	10	11	8	12	13	1	7	6
Media/communication	7	7	5	4	2	6	4	7	10	5
Tourism/hospitality	6	6	7	6	2	7	5	13	6	7
Health care	6	4	3	5	3	2	3	4	4	2
Construction/maintenance	6	3	5	4	8	5	3	9	5	4
Engineering/architecture	4	7	11	8	7	4	7	4	7	11
Transportation	4	5	5	4	9	7	10	6	5	16
Alaska Native Corporation	4	4	3	2	2	2	4	2	*	*
Mining/oil production	4	2	1	2	2	3	4	4	6	9
Information technology	3	4	2	2	2	4	3	2	3	2
Government/military	3	3	5	2	5	7	2	1	7	3
Mining/oil support services	3	2	2	2	3	3	2	*	*	*
Manufacturing	2	3	2	-	1	2	1	3	3	1
Arts	2	*	*	*	*	*	*	*	*	*
Education/child care	2	*	*	*	*	*	*	*	*	*
Utilities	1	1	3	2	1	3	2	4	3	3
Social services	1	1	1	<1	-	-	1	*	*	*
Fishing/seafood	1	-	-	-	<1	-	2	-	-	1
Arts/education	*	3	1	2	4	3	5	1	3	1
Other**	1	1	<1	3	-	4	7	5	3	3

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

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

## ORGANIZATION SIZE

When asked about their business' gross sales or annual operating budgets, the most common budget ranges are at either end of the spectrum, with 27 percent reporting a budget under \$250,000, and 25 percent reporting a budget over \$10 million.

The percentage earning under \$250,000 was the highest in the history of the survey at 27 percent, up from 20 percent in 2016.

### Which of the following categories best describes your organization's annual gross sales or annual operating budget? (2008-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Under \$250,000	27	20	13	16	11	9	16	21	19	10
\$250,000 to \$500,000	6	10	9	8	6	3	4	9	5	4
\$500,000 to \$1 million	10	8	9	8	5	10	9	8	8	7
\$1 million to \$5 million	20	13	25	26	19	20	19	25	20	18
\$5 million to \$10 million	8	10	7	8	12	11	9	10	7	13
More than \$10 million	25	33	31	30	41	45	38	26	38	47
Don't know	4	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

Over half of businesses (54 percent) fewer than 10 employees, while most of the rest (24 percent) had between 10 and 49 employees. Just 14 percent had 100 or more employees.

The percentage with fewer than 10 employees (54 percent) was up from 46 percent in 2016, and the highest ever reported in the survey.

### How many people (full-time and part-time) do you employ in the Municipality of Anchorage currently? (2008-2017 results) (Percent)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Under 10	54	46	43	45	38	31	39	46	42	26
10 to 49	24	26	31	22	20	27	27	28	26	38
50 to 99	6	7	6	5	11	12	7	8	9	8
100 to 249	7	7	10	12	16	12	10	6	9	9
250 to 500	2	5	4	6	3	10	8	7	6	9
500 or more	5	8	5	7	11	8	7	5	8	10
Don't know	1	1	2	2	<1	-	2	1	1	1

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

Peak employment responses are similar to 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? (2008-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Under 10	51	45	40	42	37	30	39	43	39	23
10 to 49	25	25	31	24	22	27	26	29	27	38
50 to 99	7	8	8	7	11	12	8	8	9	10
100 to 249	7	7	9	10	13	11	10	6	10	10
250 to 500	3	5	5	7	5	11	9	10	4	8
500 or more	5	8	5	8	11	9	7	4	9	12
Don't know	2	2	2	2	<1	-	2	1	1	-

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

## BUSINESS/INDUSTRY ORGANIZATION MEMBERSHIP

Respondent businesses are involved in many organizations. Most indicated they were members of the Anchorage Chamber of Commerce (36 percent), followed by Anchorage Economic Development Corporation (29 percent), and Alaska Chamber (25 percent). While a lower percent of respondents were members of these top three organizations than seen in 2016, some explanation may be the higher percent of respondents who indicated they did not belong to any of the organizations listed (32 percent compared to 20 percent in 2016).

**Is your business/organization a member of any of the organizations listed below? (Self-identified) (Multiple responses allowed) (2016-2017 results) (Percent)**

	2017	2016
Anchorage Chamber of Commerce	36	55
Anchorage Economic Development Corporation	29	57
Alaska Chamber	25	33
Rotary Club	18	26
Resource Development Council of Alaska	17	20
Alaska Support Industry Alliance	16	18
Alaska Miners Association	15	18
Visit Anchorage	13	19
Anchorage Downtown Partnership	11	22
Associated General Contractors of Alaska	10	17
Better Business Bureau of Alaska	10	13
Anchorage Home Builders Association	9	8
Building Owners and Managers Association (BOMA)	7	11
Eagle River/Chugach Chamber of Commerce	6	8
Alaska World Trade Center	5	10
Alaska Trucking Association	5	3
Association of Builders and Contractors of Alaska	4	5
Alaska World Affairs Council	3	7
Alaska Cabaret, Hotel Restaurant & Retailer's Association (CHARR)	3	4
Alaska Process Industry Careers Consortium	3	2
None of the above	32	20

## Appendix: Verbatim Responses

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

### **Which sector best describes your organization?**

- Aircraft maintenance
- Automotive repair
- Flight training
- Hair salon

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

- The expected anti-union ruling in the upcoming Janus Supreme Court case and other anti-union tactics. 2. Possibly the new tax plan, depending on how it plays out for the middle class. 3. Possible change in Federal Education policy if a national school voucher measure is implemented.
- Ability to quit job to take business full time.
- Access to donations and grants.
- Access to Free/Competitive parking downtown, retail theft, and a lack of municipal response/enforcement, mental and physical disorders causing undesirable behaviors that scare and endanger the public, cost of commercial property lease/acquisition in downtown.
- Administrative discretion of state tax officials.
- Anchorage Property Taxes Federal Income Tax Payroll Tax.
- Business confidence to invest in the new solutions we offer. General Alaska business attitude of sitting on sidelines until there's more certainty.
- Competition from Lower 48 businesses entering local market.
- Consumer and client confidence - lack thereof - in the near-term has resulted in dramatic cutbacks in budgets.
- Convenient Parking / Free Parking (Downtown) in proximity to tenants that want to develop in partnership with our Company due to national retailer relationships.
- Economic outlook is risky.
- Federal government budget.
- Federal laws regarding marijuana.
- General instability of Alaska fiscal and regulatory policy. More a cult-of-personality than "structure of laws": So much depends on who is enforcing or not.
- Increased cost of goods; increased minimum wage.
- Insurance companies shifting to national third-party administrators.
- Insurance industry.
- Lack of cohesive natural resource development state policy.
- Lack of computer programmers.
- Lack of confidence in our Governor.
- Lack of experienced flight instructors.
- Lack of federal funding.
- Lack of fiscal certainty. No coordinated effort to promote buying locally and support smaller locally owned businesses.



- Lack of relevant professional training courses. Lack of access to relevant networking opportunities. Lack of quality vendors to work with.
- Lack of revenue opportunities due to organization size and large geographic area.
- Lack of vision by public sector leadership in the Muni of Anchorage and State. They lack the capacity to try something new and/or innovative to diversify the economy and balance the budget. Alaskans have become provincial in the thinking and lack boldness and a can-do attitude. Repealing the film program was ludicrous.
- Loss of State funding.
- Low consumer confidence reduces spending on deferrable purchases. I believe almost all confidence issues caused by Alaskans know the State must change spending and income stream by taxes. A “unknown” is often viewed as worse than an actual. Once the state lets us know what the plan is, we will adjust and move forward.
- Market is being flooded with new hotels. Over 700 new hotel rooms have opened in the market in the past 24 months causing rates to decrease. Several hotels in the building process.
- Mining regulatory regime needs to be streamlined.
- No State budget. Indifference of State Legislature towards education.
- Online availability.
- Our revenue/profit is highly dependent upon the capital and maintenance spend by Upstream and Downstream Oil and Gas customers.
- Poor health.
- Quality and availability of affordable health insurance. High Deductibles.
- SB91.
- Skilled work force. Reasonable expectations for wage. People who want to work Muni property taxes.
- State and Federal funding.
- State government not cutting to match income across the board. State continuing to threaten more taxes and no relief for small business that produce 80% of jobs. All confidence is gone in government and continued ware [sic] of money on gas line. Cut government 20% and see what happens to confidence. Crime is increased and reality of national increase in GDP is not coming to Alaska. Putting 30,000 more on Medicaid costing Alaska millions. Terrible idea!
- State marketing budget, specific to tourism.
- Stripping the tax incentives before their 2019 sunset for my field destroyed the local workforce and brought work levels down to below pre-2009 levels.
- The Alaska Governor creating a political environment that is negative to the major oil companies.
- The cost of oil per barrel.
- The lack of capital and optimism available for ‘start-up’ businesses and the communications within State and Muni Govt.
- The large population of unemployed is affecting our process of providing services. The demand for services is higher, however some people are not eligible for our services. My concern is where and how are those people being served?
- The status quo of existing bicycle community, disregarding the benefits of electric bikes.
- Those idiots in Juneau who cannot get their act together on cutting the state budget.
- Trained, certified teachers willing to relocate to Anchorage.
- Trying to find employees.

- Volunteers who will help their neighbors with needs.
- Weak economy, less disposable income for the services I provide.

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

- 3 years of increased North Slope oil production
- Affordable home ownership
- Alaska LNG
- Anchorage as World Class Destination for Mt Biking
- Anchorage Film Office
- ANWR
- ASD deficit
- Balance the budget
- Bathroom Bill - Prop 1 will be bad for tourism.
- Capital investment to replace old schools
- Clean up downtown and other business corridors.
- Complete bridge across inlet. Solve land issues.
- Completion of rail to PT Mackenzie
- ConocoPhillips import facility optionality
- Crime reduction SB91 and HB54
- Cutting scope of government
- Decrease the crime rates, so people feel safe.
- Do not introduce Municipal Sales Tax.
- Don't implement income tax for residents.
- Don't implement sales tax or retail will shrink.
- Drug enforcement
- Educational and social welfare reform
- Energy exploration in Cook Inlet and Foothills
- Funding / Support for emergency services and EMS
- Gas bullet line thru Fairbanks to Anchorage/Kenai.
- Gas pipeline built sooner rather than later.
- Give grants for cameras at apartment buildings
- Growth in IT Industry
- High school graduates are not prepared for college.
- Homeless fix
- Homeless issues. We need to take care of these people
- Homeless population PERIOD!
- Housing downtown
- Implement a sales tax, not a gas tax.
- Implementing a tax system
- Improve efficiency of Community Development Dept.
- Improve law enforcement / defeat hard crime
- Incentives for ditching the automobile in city
- Increase in public school education funding
- Increased recruitment of skilled workforce from Lower 48
- Increasing bike friendly streets in Anchorage
- Increasing safety concerns in Anchorage
- Insure a more affordable health insurance market
- Knik Arm Bridge
- Legalize Ibogaine. It would get people off of heroin.
- Liberty Oil Project
- LNG pipeline
- Lower property taxes
- Manufacturing for Global Consumption
- More police
- More taxes to support the Community
- Move port to Fire Island, build causeway.
- Nanushuk oil development
- New large business opportunities.
- Opening ANWR
- Overhaul of University of Alaska system
- Port Modernization
- Prop 1 - Diversity
- Property taxes
- Public safety
- Quality Public Education
- Reduce any taxes on business
- Reduce Elmore muni office influence

- Reduce property tax
- Reducing drug dependency & associated crime
- Reducing permit cost
- Reducing taxes and burdensome regulations
- Refer to Sullivan's study for #2.
- Repeal of SB 91
- Replace property tax base with sales tax base
- Revitalization of business programs at UAA
- Safety
- Sale/Privatization of ML&P
- Sales tax for diversification of the tax base.
- SB91
- Start income tax for non-residents working in AK
- The city needs to work with artists.
- The Knik Bridge
- Transit center
- Upgrade downtown
- Upgrade of Town Square
- What happened to MLP rates.? Fear it will happen again.
- Winter Olympics

Thank you to the Annual  
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